The Committee will meet at 10.00 am in Committee Room 1 to consider the following agenda items:

1. **Statistics and Registration Service Bill (UK Parliament legislation):** The Committee will take evidence on legislative consent memorandum LCM(S2) 12.1 from—

   George Lyon MSP, Deputy Minister for Finance and Public Service Reform; Rob Wishart, Chief Statistician, Scottish Executive; and Marina Hughes, Assistant Statistician, Office of the Chief Statistician.

2. **Relocation of Public Sector Jobs:** The Committee will take evidence on the relocation of public sector jobs from—

   George Lyon MSP, Deputy Minister for Finance and Public Service Reform; Neil Rennick, Head of Public Bodies and Relocation Division; and Elspeth Hough, Head of Relocation Policy Branch, Scottish Executive.

3. **Legacy Paper:** The Committee will consider budgetary issues to be included in its legacy paper for the future Committee.

Susan Duffy
Clerk to the Committee
Room T3.60
Extn 85215
The papers for this meeting are:

**Agenda Item 1**

Paper from the Clerk  
FI/S2/06/32/1

**Agenda Item 2**

Correspondence from the Scottish Executive  
FI/S2/06/32/2

**Agenda Item 3**

Paper from the Budget Adviser  
FI/S2/06/32/3
Finance Committee

32nd Meeting 2006 – Tuesday 12 December 2006

Legislative Consent Memorandum – Evidence from the Deputy Minister for Finance and Public Service Reform

Introduction
1. At its meeting on 5 December the Committee agreed its approach to the consideration on the legislative consent memorandum (LCM) on the Statistics and Registration Services Bill. The Bureau then formally delegated consideration of the LCM to the Committee on the afternoon of 5 December.

Timetable
2. Given the limited time available to the Committee for its consideration of the LCM the Committee agreed to take oral evidence from the Deputy Minister for Finance and Public Service Reform at its meeting on 12 December. The Committee also agreed to invite written evidence and delegated the agreement of a list of consultees to the Convener and Deputy Convener. Responses to this call for written evidence will be invited by Monday 8 January to allow submissions to be taken into account in the draft report which will have its first consideration by the Committee on 16 January.

Background
Statistics and Registration Services Bill
3. The Bill is intended to reinforce the independence, integrity and quality of statistics produced in government through the creation of an independent Statistics Board. It is intended that the Board would be established as a non-ministerial department and appointments made through open competition. Copies of the Bill were circulated to members in hard copy on 5 December and can be viewed electronically here.

Legislative Consent Memorandum
4. The LCM details the impact of provisions of the Bill in Scotland and also provides justification for legislation in devolved areas being considered by the UK Parliament. The memorandum is attached at Annexe A.

Recommendation
5. Members of the Committee are invited to raise any issues arising from the legislative consent memorandum with the Deputy Minister for Finance and Public Service Reform.

Roz Wheeler
Senior Assistant Clerk to the Committee
Legislative Consent Memorandum

Statistics and Registration Service Bill

Draft Legislative Consent Motion

1. The draft motion, which will be lodged by the Minister for Finance and Public Service Reform, is:

“That the Parliament agrees that the provisions of the Statistics and Registration Service Bill, introduced in the House of Commons on 21 November 2006, which relate to statistics in Scotland and which are within the legislative competence of the Scottish Parliament or which confer functions on the Scottish Ministers, should be considered by the UK Parliament.”

Background

2. This memorandum has been lodged by Tom McCabe, Minister for Finance and Public Service Reform, under Rule 9B.3.1a of the Parliament’s standing orders. The Statistics and Registration Service Bill was introduced at Westminster on 21 November 2006. The Bill can be found at http://www.publications.parliament.uk/pa/pabills/200607/statistics_and_registration_service.htm

3. The principal aim of the Bill is to establish a new statutory body – the Statistics Board – operating as a non-Ministerial department at arms’ length from Ministers, with a statutory responsibility for promoting and safeguarding the quality and comprehensiveness of official statistics. It will assume functions currently exercised by the Office for National Statistics (ONS) and the Statistics Commission. The Board’s functions will include:

- Standards and scrutiny. The Board will develop and maintain definitions, methodologies, classifications and standards for official statistics, and will have a power to monitor the production and publication of official statistics, and report any concerns it has about the quality and comprehensiveness of official statistics. The Board can also, at the request of the appropriate authority (which for Scottish devolved statistics will be Scottish Ministers), assess whether specific official statistics have been produced in accordance with a Code of Practice, and if so the Board will designate the statistics as “National Statistics” (and reassess the statistic in the future to determine whether production of the statistic is still compliant with the Code). Scottish Ministers propose that these functions of the Board should extend to official statistics on devolved matters in Scotland, subject to specific provisions in the Bill to take account of Scottish circumstances.
• **Production of statistics.** The Board will have power to produce and publish statistics relating to any matter, as the ONS does now. This allows the Board, for example, to run UK or GB-wide surveys collecting information on reserved and devolved functions and to publish compendia of UK statistics. The consent of Scottish Ministers is required before it exercises these powers in relation to devolved matters, and the Board will not have a general role in the production of statistics on Scottish devolved matters.

• **Statistical services and statistical research.** The Board will have power to provide statistical services to any person and to promote and assist statistical research. This form of co-operation will be important, for instance to ensure that the data held by the Board are available to researchers working for devolved purposes.

• **Information sharing.** The Bill provides for orders permitting disclosure of information to or from the Board, which would otherwise be prohibited (except where the prohibition is due to the Data Protection Act 1998 or Human Rights Act 1998). This is intended to remove legal barriers to data sharing (for statistical purposes only), to improve the comprehensiveness and accuracy of official statistics. The Bill provides specifically for the provision of information by and to Scottish public authorities and in these cases the orders would be made by Scottish Ministers and considered by the Scottish Parliament.

• **Reports and directions.** The Board will be required to submit a report annually to the Scottish Parliament and is empowered to submit a separate annual report to the Parliament and to submit other reports as necessary. Scottish Ministers are given a power of direction to the Board, with the consent of the Chancellor of the Exchequer, if there has been a serious failure by the Board to comply with its objectives or to perform any of its functions on Scottish devolved statistics.

4. The Bill also makes changes to the registration service in England and Wales. These are not required in Scotland, where the registration system is slightly different and was the subject of recent legislation (the Local Electoral Administration and Registration Services (Scotland) Act 2006). Also included in the Bill are provisions on reserved matters (such as the Retail Prices Index) and on matters which concern only England and Wales, such as NHS registration information. These do not require the consent of the Scottish Parliament and are not covered by this Memorandum.

**Advantages of using this Bill**

5. Extending the role of the Statistics Board in setting and monitoring the standards of statistics produced by Scottish Executive departments (and other bodies responsible to Scottish Ministers) will demonstrate that these statistics are produced to a common UK standard, are produced independently and are subject to independent scrutiny. This approach will provide reassurance
about Scottish statistics to international bodies and users of UK-wide statistics in government, academia, industry and commerce. A UK body will give access to a wider range of top-level expertise in the subject than would a separate Scottish body. This can only be achieved by extending the UK Bill to Scotland for devolved statistics. Similarly, only a UK Bill could provide for fully joined-up and reciprocal sharing of information, statistical services and statistical research between Scottish public bodies and the Board, which is essential for improvement in the comprehensiveness and accuracy of statistics on both sides of the border. For similar reasons, the Bill applies also to Wales and Northern Ireland. The Bill would achieve these aims while providing suitable safeguards for the role of the Scottish Executive and the Scottish Parliament in devolved areas.

Consultation


Proposals in Scotland will be the subject of a Scottish Executive consultation document. It is intended that the responses to the consultation document should be available to the Parliament during its consideration of this Legislative Consent Memorandum.

Financial Implications

7. It is not expected that the Bill will have financial implications in Scotland. The ONS and the Statistics Commission, which are superseded by the new Statistics Board, are funded by the Treasury, which will continue to fund the new Board.

Provisions in the Bill for which Consent is sought

8. The details of the specific provisions for which the consent of the Scottish Parliament is sought are at Annex A. The main areas are:

- The structure and objective of the Board (Clauses 1 – 7)
- The monitoring of official statistics (Clauses 8-9)
- The production and use of a Code of Practice for National Statistics (Clauses 10 -17)
- The Board’s power to produce statistics in devolved areas, subject to Scottish Ministers’ approval (Clause 18)
- Provision of statistical services, promotion of research, and data sharing (Clauses 20-21, 35-38, 45 and 49)
- The process for making an order in relation to Scottish devolved statistics, the definition of Scottish devolved statistics and other definitions (Clauses 62-64).
9. There are also a number of consequential, supplementary and general provisions that will also need to be extended to Scotland to make the Bill effective.

Scottish Executive
December 2006
Appendix A

DETAIL OF PROVISIONS PROPOSED TO EXTEND TO SCOTLAND

1. This Annex describes the specific provisions for which the consent of the Scottish Parliament is sought, and provides background on their application in Scotland.

Clauses 1 to 5 Statistics Board: establishment, status, membership and staffing

2. **Policy Intent** To establish the Statistics Board as a non-Ministerial department and to provide for its membership and staffing. The members will include one person appointed by the Treasury after consulting the Scottish Ministers.

3. **Background** The Statistics Board will be established as a non-Ministerial department, with a non-executive chairman who, along with the National Statistician, will be appointed by Her Majesty. Unlike the ONS and the Statistics Commission, whose responsibilities will be taken on by the new Board, it will be a statutory body, with transparent arrangements for appointing its members. The Board itself will be composed of at least six non-executive members, including the chairman, and three executive members, one of whom is the National Statistician. One member of the Board will be appointed by the Treasury after consulting the Scottish Ministers.

Clause 6 Official statistics

4. **Policy Intent** To include statistics on devolved matters in Scotland as ‘official statistics’ for the purpose of the Bill.

5. **Background** Scottish statistics on devolved matters are mainly produced by the Scottish Executive on behalf of Scottish Ministers. But a range of other bodies, notably the General Register Office for Scotland and the Information and Statistics Division of NHS National Services, also produce statistics which Scottish Ministers can notify to the Board for inclusion in the statutory definition of official statistics, by means of an order.

Clause 7 Objective

6. **Policy Intent** To allow the objective of the Board to apply to official statistics on devolved matters in Scotland.

7. **Background** The Board’s objective of promoting and safeguarding quality, good practice and comprehensiveness of official statistics needs to extend to Scotland if it is to have a role in relation to Scottish statistics on devolved matters.
Clauses 8 and 9 Monitoring and reporting of official statistics and definitions

8. **Policy Intent** To apply to statistics on devolved matters the Board’s role of monitoring the production and publication of official statistics, and reporting any concerns, as well as developing, maintaining and promoting definitions, methodologies, classifications and standards for official statistics.

9. **Background** These powers of the Board must fully extend to Scotland if it is to play its planned role in safeguarding the quality of Scottish statistics.

Clause 10 Code of Practice for National Statistics

10. **Policy Intent** To apply to statistics on devolved matters the power of the Board to draw up a Code of Practice for National Statistics. The Scottish Ministers are to be consulted when the Board draws up or revises the Code.

11. **Background** The Board has the key role of drawing up a Code of Practice and this clause allows that work to cover official statistics on matters devolved in Scotland.

Clause 11 Pre-release access

12. **Policy Intent** To extend to statistics on devolved matters the arrangements for access to official statistics before they are published.

13. **Background** At present, access to official statistics in their final form before they are published is governed by non-statutory rules. The Bill puts these arrangements on to a statutory basis. The new rules, contained (for statistics published as Scottish devolved statistics) in an order made by Scottish Ministers, cover the circumstances under which pre-release access may be given, the people to whom pre-release access may be given and the period and conditions for access. These rules will become part of the Code of Practice, alongside pre-release rules for reserved statistics, and Northern Irish and Welsh devolved statistics.

Clauses 12-16 National Statistics: designation, principles of assessment and list

14. **Policy Intent** To extend to statistics on devolved matters the power of the Board to consider, when requested in relation to particular statistics, whether the Code of Practice has been complied with and designate them as ‘National Statistics’ if they comply – as well as reassessing existing National Statistics periodically and confirming or cancelling their designation. This assessment process will apply to all existing National Statistics including those produced by the Scottish Executive, and to other Scottish devolved statistics at the request of the Scottish Ministers. The Bill also provides for the principles and procedures which the Board will use (developed following consultation with the Scottish Ministers and others) in assessing whether official statistics meet the National Statistics standards and requires the Board to publish a list of National Statistics.
15. **Background** For the assessment of whether specified devolved statistics comply with the Code, the Board’s powers of assessment and designation, as well as the statement of principles and procedures must cover Scotland. It is also important that the list of current National Statistics is comprehensive, including devolved Scottish statistics.

**Clause 17 Code: transitional**

16. **Policy Intent** To apply to Scotland the transitional arrangements for National Statistics after the Statistics Board is established.

17. **Background** The existing non-statutory National Statistics Code of Practice applies to Scotland under an agreement between Scottish Ministers and the UK Government. This clause provides for the existing code to continue (amended if necessary) after the Statistics Board is set up, but before it has adopted and published its own Code under Clause 10. Similarly, existing National Statistics will continue to carry the National Statistics designation and will be subject to assessment by the Board.

**Clause 18 Production of statistics**

18. **Policy Intent** To extend to Scotland the Board’s power to produce and publish statistics relating to any matter, subject to the consent of Scottish Ministers where it produces or publishes Scottish devolved statistics.

19. **Background** At present, the ONS runs surveys (for instance the Labour Force Survey) which cover the whole of the UK and collect information on reserved and devolved matters. It also prepares and publishes statistics for the whole of the UK or Great Britain which incorporate Scottish information on devolved matters. That UK-wide role is the most efficient and effective way of making UK data available. The clause allows the Board to continue that work, with the consent of Scottish Ministers if Scottish devolved statistics are involved. The statistics on devolved matters which the Board will incorporate into UK/GB statistics will continue to be prepared by devolved Scottish bodies (principally the Scottish Executive): it is not intended that the Board should take over that work.

**Clauses 20 and 21 Statistical services and research**

20. **Policy Intent** To empower the Board to provide statistical services and promote and assist statistical research on matters devolved to Scotland.

21. **Background** Research cooperation between the ONS and the Scottish Executive is very important – particularly ensuring that ONS data are available for research carried out for devolved purposes. These clauses allow that cooperation to continue, as well as allowing the Scottish Executive and other devolved public bodies to pay the Board to do work where that is the most cost-effective solution.
Clause 23  Census etc

22.  **Policy Intent**  To ensure that the Registrar General for Scotland retains clear statutory powers to carry out the Census in Scotland.

23.  **Background**  Since 1861, the Registrar General for Scotland has been responsible for carrying out the Census in Scotland, latterly under the Census Act 1920 which also gives parallel powers for the Registrar General for England & Wales. The Bill transfers the Census powers in England & Wales from the Registrar General to the Board. The Clause gives effect to Schedule 1, which makes the necessary amendments to the Census Act 1920 in a way which ensures the continuation of the Registrar General for Scotland’s powers to carry out the Census north of the border.

Clauses 24-27  Supplementary functions

24.  **Policy Intent**  To ensure that the Board’s ancillary powers and its efficiency duty extend to its devolved Scottish work, to require it to report appropriately to the Scottish Parliament and to give Scottish Ministers power to give it directions (and exercise its functions) in certain circumstances.

25.  **Background**  As a statutory body, the Board requires ancillary powers, which must apply equally to its devolved Scottish work. It should be obliged to do its Scottish work efficiently and cost effectively, seeking to minimise the burdens it imposes on others. The Board must also report to the Scottish Parliament on its work on devolved matters in Scotland: it will be required to do so annually (in a report also directed to the Westminster Parliament, or in a separate report, or both) and it may also submit additional reports. This clause would enable the Board, if it thought it appropriate, to lay reports which are wholly on devolved matters only before the relevant devolved legislature. Scottish Ministers, with the consent of the Chancellor of the Exchequer, will have powers to give directions to the Board if it has seriously failed to comply with its objectives or to perform any of its functions on Scottish devolved matters. If the Board fails to comply with such a direction, Scottish Ministers may (with the consent of the Chancellor of the Exchequer) exercise the relevant function of the Board.

Clauses 28-34  Organisation and administration

26.  **Policy Intent**  To ensure that provisions dealing with the Board’s organisational and administration powers extend to its work on devolved matters in Scotland.

27.  **Background**  These clauses set out in more detail the internal workings of the Board – notably the distinction between, and separation of, the roles of the National Statistician (its chief executive and principal adviser on statistical quality) and of the Head of Assessment (its principal adviser on the assessment of official statistics against the National Statistics criteria).
Clauses 35-38  Use and disclosure of information by the Board

28. **Policy Intent** To extend provisions about the use and safeguarding of information to the Board’s work on devolved matters in Scotland.

29. **Background** The Board needs to act within strict rules on use and disclosure of information, which would apply to its work on Scottish devolved statistics. Clause 36, which safeguards against disclosure of personal information held by the Board, is particularly important and applies criminal sanctions on individual employees for unlawful disclosure of personal information.

**Clause 45 Power to authorise disclosure to the Board: Scotland**

30. **Policy Intent** To allow Scottish Ministers to authorise disclosure to the Board, for its work on devolved statistics, of information held by a Scottish public authority – where the authority would not otherwise have power to make the disclosure or where the disclosure may otherwise be prohibited (except where the prohibition is due to the Data Protection Act 1998 or Human Rights Act 1998 – see Clause 51).

31. **Background** It is important for the accuracy and comprehensiveness of statistics produced by the Board that it has access, for statistical purposes alone, to information held by other public bodies. This clause allows the Scottish Ministers to make regulations (subject to the consent of the Treasury, and the approval of the Scottish Parliament) to remove legal obstacles to the flow of data from Scottish public authorities - defined, in line with the Scotland Act 1998, as any public body (except the Parliamentary Corporation), public office or holder of such office whose functions are exercisable only in or as regards Scotland – in so far as the public authority is exercising functions which relate to devolved matters. Clause 45(8) applies necessity and public interest tests before disclosure may be authorised.

**Clause 47 Power to authorise use of information by the Board**

32. **Policy Intent** To authorise the Board, through regulations made by the Treasury, to use information received from a public authority which would otherwise be prohibited (unless the prohibition on use is due to the Data Protection Act 1998 or Human Rights Act 1998).

33. **Background** This clause removes prohibitions on use of information already flowing to the Board through an existing legal gateway. It can only amend existing legislation, and no example of a prohibition on the use of information has been identified which relates to devolved matters in Scotland. It is extremely unlikely that new examples will arise and therefore a mirror image of this power, for Scottish Ministers in relation to information received from Scottish public authorities, is not provided for. This power will not be used to permit the further use of information related to devolved matters received by the Board.
Clause 49  Power to authorise disclosure by the Board: Scotland

34. **Policy Intent**  To allow Scottish Ministers to make regulations authorising the Board to disclose information to a Scottish public authority where that would otherwise be prohibited (except if the prohibition is due to the Data Protection Act 1998 or Human Rights Act 1998 – see Clause 51).

35. **Background**  This authorises the disclosure of information reciprocal to Clause 45 – from the Board to a Scottish public authority. It is subject to the same safeguards.

Clauses 52-55  Consequential

36. **Policy Intent**  To apply to devolved matters in Scotland the clauses which provide for the transition from the present bodies (the ONS and the Statistics Commission) to the new Board.

37. **Background**  The Statistics Board in part takes on the responsibilities of two existing – the ONS and the Statistics Commission. Both have a role in Scotland as regards devolved matters. The ONS produces and publishes statistics on devolved matters in the way explained on Clause 18. The Statistics Commission acts as a non-statutory external commentator on all matters concerning the quality of official statistics. Clause 52 terminates the work of the ONS and the Statistics Commission. Clauses 53 and 54 transfer to the Board the property, rights and liabilities of the ONS, the National Statistician and the Registrar General for England & Wales; it is possible, though unlikely, that some of these rights and liabilities relate to devolved matters in Scotland. Clause 55 allows the Treasury to transfer property, rights and liabilities from a Minister of the Crown to the Board; again, it is possible (though unlikely) that these might relate to devolved matters.

Clauses 62-64  General

38. **Policy Intent**  To apply to Scotland the order making powers under the Bill, subject to the normal procedures in the Scottish Parliament, and to interpret the Bill in a way relevant to Scotland.

39. **Background**  Scottish Ministers have power under Clauses 6(1)(b), 11, 45 and 49 to make orders or regulations. Clause 62 ensures that these are subject to the normal order-making process in the Scottish Parliament under the affirmative procedure. Clause 63 defines “devolved statistics” for each of the devolved administrations. For Scotland, in order to accord closely with the devolved/reserved distinction, the definition includes statistics about reserved matters where the function under which the statistics are produced is devolved, but not statistics about devolved matters produced for reserved functions. The definition excludes statistics produced by cross-border public authorities (which have a combination of devolved and reserved functions, such as the Forestry Commission) and authorities treated as such, unless the statistics relate wholly to Scotland. But the definition will include any statistics
produced under functions executively devolved to the Scottish Ministers by order under section 63 of the Scotland Act, although no current examples can be identified. Clause 64 defines terms used in the Bill - including ‘Scottish public authority’ and ‘Scottish devolved statistics’.

Clauses 70-73 General

40. **Policy Intent** These clauses apply to Scotland the arrangements for repeals, commencement, extent and short title of the Bill.

41. **Background** The only specifically Scottish provisions are in Clause 72 (Extent). The Bill extends to Scotland, with the exception of Part 2 (about the registration service in England and Wales) and Clause 59 (containing provisions about evidence under the law of England and Wales). The remaining clauses, except those which clearly relate only to England and/or Wales such as Clauses 40 and 41, need to extend to Scotland in relation to the work of the Statistics Board north of the border. This Memorandum gives information on all the clauses which affect devolved matters.

Scottish Executive
December 2006
Finance Committee

32nd Meeting 2006, Tuesday 12 December 2006

Relocation of Public Sector Jobs

1. Following its inquiry into the Relocation of Public Sector Jobs, the Committee agreed with the Executive that a six-monthly update on progress with its policy would be provided and the Committee would take evidence on these updates.

2. The latest update from the Executive is attached. This comprises a letter from the Deputy Minister, a report on progress, a response to the recommendations made in Audit Scotland’s Report “Relocation of Scottish Executive departments, agencies and NDPBs” and a draft evaluation report. Also attached is correspondence received from the Deputy Minister since his last appearance before the Committee in June 2006.

Susan Duffy
Clerk to the Committee
I am due to provide the Committee on 12 December with an update on Scottish Ministers' policy for the relocation of public sector posts. I attach written evidence for the Committee's consideration.

The attached update notes developments in relocation policy since I previously provided evidence in June. This includes confirmation of the decision, following a location review, to locate the new Caledonian MacBrayne asset-owning company (VesCo) to Port Glasgow in Inverclyde. Also, following the findings of a Stage 2 relocation review, we have asked Registers of Scotland to consider its accommodation and location needs as part of its significant Change Programme. The Change Programme will include changes in staffing, business practices and IT and aims to deliver significant cost savings as well as improved services to Registers' customers. It is right that location should be considered as part of that process. This is consistent with previous decisions not to proceed immediately with certain relocations.

The other significant development since June was the publication, on 21 September, of the Audit Scotland report on Relocation. We have welcomed the report and its recommendations, which are consistent with improvements that we have made or are seeking to make to the implementation of relocation policy. I attach a brief note’ summarising our response to each of the report's recommendations. As you will be aware, the Audit Committee is conducting an Inquiry following the Audit Scotland report.

Also following publication of the Audit Scotland report, the Secretary of the PCS Union in Scotland wrote to Ministers asking for a moratorium on future relocations. We have welcomed the support, in principle, that the PCS and other Unions have provided to our relocation policy, including contributing to the preparation last year of the Relocation Guide. A number of location reviews, mostly for new organisations, are on-going and we do not believe that there is benefit for staff or organisations in delaying these location decisions. However, we have asked officials to look at the implementation of relocation policy in light of the Audit Scotland report and, as previously, to involve relevant Unions in discussion about these issues.

Finally, during my evidence to the Committee in June, I confirmed that officials undertaking work to evaluate the impact of our relocation policy through three strands the internal impact of relocation on organisations; the external impact on the areas receiving relocated posts; and benchmark comparisons with other UK and
international relocation policies. A copy of the draft evaluation is attached. It is worth noting from the benchmark analysis, that no other administration has prepared an evaluation of its relocation policy.

I hope the Committee finds this written submission helpful. I look forward to providing oral evidence to the Committee on 12 December. I will be accompanied by Neil Rennick, Head of Public Bodies and Relocation Division and Elspeth Hough, Head of Relocation Policy Branch.

GEORGE LYON
SCOTTISH EXECUTIVE RELOCATION POLICY

REPORT TO FINANCE COMMITTEE, DECEMBER 2006

1. This paper provides the Finance Committee with an update on developments in the Executive’s Relocation policy over the last six months. It should be read in conjunction with the separate Evaluation Report, the broad outlines of which are explained at paragraph 7 below.

Location Reviews

2. An up-to-date list of all organisations that have been considered under the relocation policy, and the outcome of each location review to date is attached at Annex A. The table shows that from the 38 bodies for reviews have been completed to date:

   (a) 2,432 posts have been located or relocated outwith Edinburgh;
   (b) Decisions have been taken on the future location of a further 1001 posts.

Announcements

3. Since the last Finance Committee meeting, Ministers have announced that the successor asset-owning company to Caledonian MacBrayne, Caledonian Maritime Assets Ltd (previously known as ‘VesCo’ will be located in Port Glasgow. The company is expected to have 8-10 staff plus professional advisers as required. The first staff have now moved into the temporary office space in Port Glasgow that is to be used until the upgrading of their chosen office space is complete.

4. Ministers have also announced that a decision on the relocation of Registers of Scotland (RoS) will be deferred: the management team at RoS have been asked to consider and report back to Ministers on how relocation might be integrated into Registers’ major Change Programme.

5. I will provide the Committee with an oral update on forthcoming reviews at our meeting on 12 December.

Opening

6. The First Minister officially opened Great Glen House, the new headquarters of Scottish Natural Heritage on 3 October 2006. This new building has received the highest BREEAM rating of any new building in the UK to date. (BREEAM is the most widely used international standard for reviewing and improving the environmental performance of office buildings).

Policy Evaluation

7. In line with our commitment to produce a three-strand evaluation of the relocation policy in 2006, we have undertaken extensive scrutiny of information available about relocations that have taken place to date and this is summarised in
the accompanying Evaluation report. This examines the cost of relocations together with an assessment of the impact of relocations on the relocating businesses (internal evaluation) and the communities to which they relocate (external evaluation). The Evaluation report also considers comparative experience of relocation elsewhere in the UK and abroad.

Location Database

8. As we noted in our last report, the Executive now has detailed information from our delivery partners on location opportunities from all around Scotland. A live database of all these locations is being compiled to include up-to-date socio-economic data. We are currently reviewing and quality-checking the data we have received and intend to publish updated information about location opportunities on our website as soon as possible.

Transferability

9. The Committee has asked to be kept informed of developments in the policy change to enable the transfer of staff between Non-Departmental Public Bodies and the Civil Service. As previously noted, the Office of the Civil Service Commissioners has approved a register of NDPBs eligible for transfer to the Civil Service. Applications for organisations to join the register must be approved by the Cabinet Office. Approval has been on the basis of the provision of details of recruitment procedures which must be in line with the principles of those used by the Civil Service. It must be noted that while acceptance to the register enhances the career prospects of individuals working for the relevant organisations, transfers can only take place where receiving organisations have adequate capacity.

10. As of November 2006, 19 NDPBs sponsored by the Scottish Executive have had their applications approved by the Cabinet Office. This is an increase of 5 since our last report in June 2006. A full list of Scottish NDPBs approved for the register is appended at Annex B below: the Committee will wish to note that sportscotland and Scottish Natural Heritage are amongst those listed.

11. The Executive remains committed to encouraging Scottish NDPBs to apply for admission to the register. As agreed with the Committee in June, information about the arrangements for transferability has been added to the Relocation website.

UK Relocations

12. As the Committee is aware, relocations from the south-east of England are now being co-ordinated by the Office of Government Commerce (OGC) which has published guidance and set up a central review team to assist UK Departments for prospective relocations following the Lyons Review. The Executive remains committed to attracting as many of these jobs to Scotland as possible and is working closely with OGC, Scottish Development International and Scottish local authorities to ensure that the opportunities offered by relocation to Scotland are understood by UK Departments.
13. The Scottish Executive recently co-ordinated a visit by Mr Stuart Ladds, Programme Manager in the Government Relocation Implementation Team (OGC) to meet a range of stakeholders in Scotland in early October. Mr Ladds gave a presentation on the UK relocation policy and its implications for Scotland, and local authorities learned about the policy and how they might attract posts relocating outside of London. Copies of this presentation are now being distributed to local authorities and enterprise companies on CD to ensure the widest possible coverage. During his visit, Mr Ladds also visited priority regeneration areas.

14. As we have previously noted, it is possible that Gershon review efficiencies implemented by UK departments may result in job losses in Scotland. The Executive remains in close communication with the UK Government and will take account of the potential impact of any proposed efficiencies in future relocation decisions.

Scottish Executive
December 2006
# ANNEX A

## RELOCATION TRACKER

### LOCATION AND RELOCATION: COMPLETED MOVES

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Number of Posts</th>
<th>Decision</th>
<th>Number of posts</th>
<th>Location</th>
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<td></td>
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<td></td>
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<td></td>
<td>260</td>
<td></td>
<td>60 (2003)</td>
<td>Glasgow</td>
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<td>Cases</td>
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<td>Decided Year(s)</td>
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<td>---------------------------------------------------------------------</td>
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<td>-----------------</td>
</tr>
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<td>COPFS Transcription Units (Small Units Initiative)</td>
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<td>Decided 2004</td>
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<td>Decided 2004</td>
<td>9 (2005)</td>
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<td>8</td>
<td>Decided</td>
<td>8 (2005)</td>
</tr>
<tr>
<td></td>
<td>Grants Scheme (Small Units Initiative)</td>
<td></td>
<td>2004</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---------------------------------------</td>
<td>---</td>
<td>------</td>
<td>---</td>
</tr>
<tr>
<td>23.</td>
<td>NHS Central Registrar (Small Units Initiative)</td>
<td>17</td>
<td>Decided 2004</td>
<td>17 (2005)</td>
</tr>
<tr>
<td></td>
<td>SUBTOTAL</td>
<td>2,854 Reviewed</td>
<td>260 still to be relocated</td>
<td>2,432 - Located outwith Edinburgh</td>
</tr>
<tr>
<td></td>
<td>Location and Relocation: Decisions Still to Be Implemented</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>----------------------------------------------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>27.</strong></td>
<td>NHS Quality Improvement Scotland 206 (99 relocating from Edinburgh) Decided 2005 - Glasgow</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>28.</strong></td>
<td>NHS Health Scotland 165 (134 relocating from Edinburgh) Decided 2005 - Glasgow</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>29.</strong></td>
<td>NHS Education for Scotland 351 (187 relocating from Edinburgh) 26 Decided 2005 - Edinburgh, Aberdeen, and Dundee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>30.</strong></td>
<td>Communities Scotland 110 Decided 2005 - Glasgow</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>31.</strong></td>
<td>Sportscotland 133 Decided 2006 - Glasgow</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>32.</strong></td>
<td>Caledonian Maritime Assets Limited (VesCo) 10 Decided 2006 - Port Glasgow</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td>1001 <strong>1001 Decided</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ANNEX B

Scottish Executive sponsored NDPBs eligible for transferability at November 2006

The following Scottish Executive sponsored NDPBs have been approved as eligible for transfer to the Civil Service by the Civil Service Commissioners.

- Cairngorms National Park Authority
- Highlands and Islands Enterprise
- Learning and Teaching Scotland
- Loch Lomand and the Trossachs National Park Authority
- NHS Education for Scotland
- NHS Health Scotland
- NHS National Services Scotland
- NHS Quality Improvement Scotland
- Royal Botanic Gardens Edinburgh
- Scottish Arts Council
- Scottish Commission for the Regulation of Care (Care Commission)
- Scottish Enterprise (SEn)
- Scottish Funding Councils for Further and Higher Education
- Scottish National Heritage
- Scottish Environment Protection Agency (SEPA)
- Scottish Social Services Council
- Scottish University for Industry
- Sportscotland
- VisitScotland
AUDIT SCOTLAND REPORT ON THE RELOCATION OF PUBLIC SECTOR POSTS, 2006

Executive response to Audit Scotland Report Recommendations

1. This note sets out for the Finance Committee the Scottish Executive’s response to the specific recommendations for in the Audit Scotland Report into Relocation.

2. The Scottish Executive welcomes the Audit Scotland Report. Specifically, the Executive was encouraged to note that the report formally recognises that individual relocations were well managed and that implementation of the policy has evolved over time, in addition to setting out constructive recommendations for the future.

3. Audit Scotland indicated its intention to conduct a review of the Relocation policy following consultation in November 2004. The report was published on 21 September 2006. The review considered a sample of 12 out of 38 location decisions to date all of which were relocations (as opposed to reviews for the location of new bodies) and all of which were completed and announced prior to the publication of the Relocation Guide in June 2005.

Response to Specific Recommendations

Recommendation: The Executive should compile a database of properties and priority areas for relocation.

Response: We agree this recommendation. Working closely with local authorities, local enterprise companies and property specialists, the Executive has now compiled a database of properties and locations to be considered for location reviews. The database features location opportunities in every local authority in Scotland. The information on the database was published on the Relocation website earlier in 2006 and is currently in the process of being updated.

Recommendation: The impact of relocation on other public bodies should be considered.

Response: We agree to look further at this recommendation. There is currently no evidence to suggest that the relocation has a significantly negative impact on other public bodies although we know anecdotally that some have lost staff to relocated organisations, frequently on promotion. Indications from local enterprise companies and local authorities is that they are keen to secure further relocations of public sector posts. Relocation can offer opportunities for co-location which may in turn lead to benefits from closer engagement. For example, the NHS Central Register now shares accommodation and IT technology with NHS Dumfries and Galloway.

Recommendation: Measures for monitoring and evaluating relocations should clearly defined.

Response: We agree that is important to put in place clearly defined measures to enable us to monitor and evaluate the impact of relocations. An evaluation
framework has been prepared that will detail the measures and procedures to be deployed for monitoring and evaluating the impact of future relocations. This will consider the impact on the organisation (internal impact), the impact on the community to which the organisation has relocated (external impact) and the impact of the policy on Scotland as a whole and will be closely aligned to the evaluation strategies of related policies. The evaluation framework will also link clearly to the objectives of the policy, and to the methodology set out in the Relocation Guide.

**Recommendation:** Consistent criteria and weightings should be applied in reaching relocation decisions.

**Response:** We agree that it is important for criteria and weightings to be applied as consistently as possible while ensuring that due consideration continues to be given to the specific individual needs of each relocating organisation. Under the procedures outlined in the Relocation Guide (June 2005), 50% of the Stage 1 location review is based upon socio-economic criteria which are applied consistently for each review. The remaining 50% takes account of criteria required for the continued effectiveness of the relocating organisation. We continue to assess these against standard criteria but to attribute weightings on a case-by-case basis to ensure that the individual needs of each organisation are adequately reflected. The dedicated Relocation Team is available to provide advice and clarification throughout the review process.

**Recommendation:** Staff should be engaged from the outset in the relocation process.

**Response:** We agree this recommendation. The current procedures, outlined in the Relocation Guide, set out clearly the importance of engaging staff - and unions - from the outset of the location review process. The Guide provides sample templates for surveying staff opinions before and after relocation process.

**Recommendation:** Reasons for choosing particular locations should be clear.

**Response:** The Executive agrees that it is vital for the reasons for the choice of particular locations to be clearly articulated. All location and relocation decisions are announced publicly once a decision is finalised. All relocations to date have supported one of more of Ministers’ key objectives for the policy: to ensure that government in Scotland is more efficient and decentralised, provide cost-effective delivery solutions and assist areas with particular social and economic needs.

Scottish Executive
November 2006
SCOTTISH EXECUTIVE RELOCATION OF PUBLIC SECTOR POSTS – EVALUATION

NOVEMBER 2006

[THIS IS A DRAFT PENDING DISCUSSION WITH THE FINANCE COMMITTEE]
SUMMARY

15. General

1. Evaluation is recognised by the Scottish Executive as a crucial element of the cycle of policy development, delivery, review and re-evaluation. The Executive has regularly reviewed and updated its policy for the relocation of public service jobs since 1999, culminating in the publication of the Relocation Guide in 2005. However, it has not previously undertaken a comprehensive analysis of the impact of relocations within the context of Scottish Ministers’ stated objectives for the policy.

2. Although all UK administrations and other international governments have relocation policies, there is no established methodology, here or elsewhere, for evaluating the impact of relocation policies. In part, this reflects the complexities in measuring the impact of relocations and timescale for those effects to feed through.

3. This evaluation was largely a desk-based exercise, drawing on existing available information, but also on updated information from organisations on relocation costs; case-study interviews on the impact of relocation for organisations and feedback from local enterprise companies on the impact of relocation for areas receiving posts.

16. Location Review Methodology

4. The methodology for reviewing location and relocation options has evolved over time. It reflects clearly Ministers’ stated objectives for relocation: taking account of efficiency and effectiveness factors, including costs, for individual organisations; but also wider consideration of socio-economic impact and the distribution of public sector employment outside of Edinburgh.

5. Experience over a number of reviews and the findings of the Finance Committee Inquiry on Relocation, identified the need for greater consistency in the application of the location review methodology, including clearer guidelines on the criteria for assessing location options. These issues were address through the publication of the Scottish Executive Relocation Guide in June 2005, which established a set methodology for location reviews. Previous decisions by Ministers on the choice of location have been consistent with the outcome of the review methodology at that time.

17. Relocation Costs

6. Relevant cost information is considered as part of the relocation review methodology. The detail of the information required to inform decisions has been clarified over time as experience of relocations has grown. The required cost information is now set out in the Relocation Guide.
Where the decision has been taken to locate or relocate organisations outside Edinburgh, in the vast majority of cases the lowest cost option (from the identified costs) has been selected, or the cost differential between options has been marginal. Clear factors have been identified in the small number of cases where a higher cost option has been selected.

The actual set-up costs of new and relocating organisations vary significantly, due to a range of factors, including accommodation costs; redundancy and transfer costs, ICT investment, etc. In each case, relocation and other associated costs have been monitored and scrutinised through normal budget processes. For the most part, one-off relocation costs have not placed additional financial burdens on central Executive funds, but have been met within the normal budget flexibilities available to Departments and organisations. A table setting out the comparative costs of relocations is attached at Annex A.

Management of Relocations

Responsibility for managing the relocation process once a decision is taken rests with the organisation being relocated. For the most part, relocations appear to have been well planned and managed to minimise disruption to organisations’ core functions and to capitalise on the potential benefits of relocation.

Effective engagement with staff and their representatives is a crucial feature of successful relocations. Again, this has been recognised and reflected in individual relocations and is emphasised in the Relocation Guide.

Internal Evaluation – Impact on Organisations

The Scottish Executive relocation methodology balances equally the interests of organisational efficiency and wider socio-economic impact. Potential cost savings form part of the consideration of benefits from relocation, but research evidence indicates that the impact of relocation is maximised where there is a wider focus on using relocation as a catalyst for business change.

Benefits for organisations identified from relocations include:
- Running cost savings
- More efficient use of space and improved asset management
- Business restructuring
- Access to new sources of labour
- Culture change
- Co-location / clustering
- Clearer focus on sustainability
- Improved accessibility.

Relocation also carries with it significant organisational risks – including potential loss of essential skills; additional travel costs; difficulties in distance management; disconnection from stakeholders/other public bodies; disruption to core business. In general, these risks have been recognised in relocation processes, but require continuing management over time.
22. External Evaluation

14. The impact of relocations on areas receiving posts is visible and tangible, in terms of additional employment opportunities, new skills, and investment in infrastructure and services. This is reflected in the continuing desire of local authorities and local enterprise companies to attract relocations to their areas. Quantifying the long-term benefits from these impacts is more complex, in part due to the time it takes for these effects to feed through and the time lag in relevant data, for example on employment rates and deprivation factors becoming available. Individual relocation factors rarely impact in isolation. There was no consensus amongst Local Enterprise Companies about the relative merits of transferring posts (which would be open for local recruitment) and transferring people in post (who can bring new investment into an area).

15. Established methodologies for assessing the impact of inward investment jobs from outwith Scotland are not directly applicable to internal public sector relocations. However, previous research and economic analysis confirm that relocations have the biggest external impact:
   - On areas where there is available labour force to take up employment opportunities – the move of the Scottish Public Pensions Agency (SPPA) to Galashiels and the Accountant in Bankruptcy (AiB) to Kilwinning being key examples of large scale employment being met mostly from locally employed staff.
   - In areas experiencing population decline – for example in the relocation of bodies to fragile rural areas such as the Scottish Executive Central Enquiry Unit (SECEU) to Kinlochleven and the Croft House Grant scheme to Tiree.
   - Where effective links are established with wider regeneration activity – for example the relocation of the Care Commission to Dundee.
   - Where areas are suffering localised difficulty – e.g. Scottish Borders following foot-and-mouth.
   - Where local suppliers are able to benefit from increased local spending.

16. Other identified external benefits include:
   - increased visibility of and access to Central Government;
   - increasing skills in the local workforce;
   - sustaining or enhancing local amenities and services, such as transport links.

17. There is no evidence of the relocation of public sector posts having any negative impact on the Edinburgh economy or employment rates. Edinburgh had the highest growth in employment of any UK City between 1999 and 2004. During this period there was an increase of 40,700 employee jobs in the capital: this is a 15% rise compared to 8% for Scotland as a whole. Independent analysis for the UK Lyons’ Review identified that relocation should have benefits in moving jobs out of over-heating markets.

23. UK & International Comparative Benchmarks

18. All UK Administrations and other international governments have relocation policies for public sector jobs, although the objectives and implementation differ.
Compared with other models, Scottish Ministers’ relocation policy seeks to balance and take account of a range of potential benefits including efficiency and effectiveness, socio-economic impact and job dispersal. Other relocation policies also consider these issues, but place particular emphasis on one or more (e.g. UK policy emphasises efficiency, Republic of Ireland policy emphasis distribution of posts to particular areas.)

19. The Scottish Executive has not set targets or a wider strategic scope of relocation policy. Scottish Executive relocation policy focuses on location decisions at the time that individual organisations are already required to consider their location and accommodation needs (e.g. when they are first established or have a significant property break). The policy has been criticised as ad hoc and lacking strategic focus. However, the focus on individual relocations, compared with larger scale strategic transfers, has minimised the risk of disruption across the public sector. The choice of location option by Scottish Ministers reflects a transparent methodology, taking account of the requirements of each organisation and wider socio-economic needs.

24. Conclusions & Lessons

20. Overall, the implementation of Scottish Executive relocation policy has reflected the objectives for the policy set by Scottish Ministers, as they have developed over time. Final relocation decisions have reflected the outcome of the review methodology, including consideration of potential costs. Relocation policy has provided benefits for relocating organisations, in particular as a catalyst for business change. Independent research indicates that it is too early to assess the sustained external impact of relocations on areas receiving posts. Other UK and international relocation policies have not yet been the subject of detailed evaluation.

21. The evaluation has identified a number of issues for consideration for the future development and implementation of relocation policy:

- urgent need for a co-ordinated Evaluation Framework for future relocations to establish baseline information and the impact for organisations and areas;
- particular need for consistent cost information;
- good practice advice and support should be available for relocating organisations to maximise benefits;
- there is potential to match relocations better to particular areas;
- there is also potential to link relocation better with other priorities, e.g. regeneration.
SECTION 1: INTRODUCTION

1.1 During 2006, the Scottish Executive Relocation Team committed to undertake an evaluation of the impact of Scottish Ministers’ policy for the location and relocation of public sector jobs within the Scottish Executive, its Agencies and sponsored NDPBs.

1.2 Evaluation is recognised as a crucial element of the cycle of policy development, delivery, review and re-evaluation.\(^1\)

1.3 This evaluation considers whether the methodology adopted by the Scottish Executive for considering location and relocation opportunities has reflected Scottish Ministers’ stated objectives for the policy. It considers whether, following relocation decisions, relocations have been effectively managed and delivered and how the risks and benefits of relocation have been realised.

1.4 The Scottish Executive has not previously reviewed the overall impact of the policy across the range of new and existing organisations which have been subject to location and relocation reviews. In part this reflects the recognised extended timescales required to assess the sustained impact of relocations, but also the challenges in establishing credible quantifiable information, about the impact of relocation policies.

1.5 Linking to Ministers’ stated objectives for the policy the evaluation covered three strands:

- Internal Impact on Organisations – this considers the impact of relocation on the relocating organisations, for example, in supporting improved business practices

\(^1\) UK Cabinet Office Strategy Guide, 2004
and efficiency, space utilisation, culture change and the implementation of new technologies.

− External Impact on Areas – this considers the impact of relocation on areas receiving posts, as well as the impact on Edinburgh of relocations
− Benchmarking Analysis – this strand provides comparative analysis of the aims and methodologies of other UK and international relocation policies.

1.6 The evaluation was largely a desk-based exercise, drawing on available information about relocations, but it also drew on:
− updated information from organisations on actual relocation costs;
− case-study interviews on the impact of relocation for organisations
− contributions from local enterprise companies on the impact of relocations.

1.7 There is no standard accepted methodology for assessing the impact of public sector relocations. The most recent available general evaluation of the impact of relocations, for both the public and private sector, was commissioned from Experian Business Strategies Division in 2004, by the UK Independent Review of Public Sector Relocation (the ‘Lyons Review’). The report by independent consultants provided a positive analysis of the potential benefits of relocation, identified good practice and considered lessons that could apply to future relocation policy. The report considered the impact of relocations on the organisations being relocated, based on a series of interviews with senior staff from ten public sector bodies and seven private sector companies. The second part of the report analysed the socio-economic impact of relocations. The report concluded that:

“We found considerable evidence that relocation brings significant benefit to organisations, enabling them to reduce operating cost, reshape their culture, and modernise working practices in the light of new technology. We also found that the economic benefit to areas receiving relocated government functions was greater than had been believed, and that there were broader, but less tangible benefits to these areas in terms of boosting skills and investment, and building confidence for future development and investment.”

1.8 We have employed the structure and findings of the independent Experian report to consider whether similar benefits have been experienced from relocations under the Scottish Executive policy.

1.9 The final section of the report identifies a number of issues and areas arising from the evaluation that should help inform the future development and application of processes to deliver Scottish Ministers’ objectives for the relocation of public sector posts.

1.10 Separate from this evaluation, Scottish Executive officials have also undertaken an internal evaluation of the relocation process to address specific concerns, for example about the timescale of completing relocation reviews. These issues are not covered in this evaluation report, but are being addressed separately.
SECTION 2: EVOLUTION OF SCOTTISH MINISTERS’ RELOCATION POLICY

2.1 This section considers the evolution of Scottish Ministers’ Relocation Policy since devolution and how well the methodology for triggering relocation reviews and determining locations has reflected Ministers’ policy objectives.

Evolution of Scottish Executive Relocation Policy

2.2 Scottish Ministers’ relocation policy has evolved over time, since devolution:

- On 15 September 1999, the then First Minister, Donald Dewar, outlined the objectives of the policy to Parliament in response to a Parliamentary Question (S1W-1558):

  “Two objectives should govern location and relocation decisions. First, the location of the Departments and agencies of the Scottish Executive and the bodies it funds should promote efficiency and effectiveness. Second, and subject to the first objective,…the work of the Scottish Executive and related bodies should be close to the communities they serve.”

  “When the Scottish Executive establishes a new unit or agency, or where an existing unit is merged or otherwise reorganised, there should be a presumption against location in Edinburgh. We have also decided that where a significant property break point is reached – for example, the termination of an existing lease – relocation options outside Edinburgh will be considered. In each case, Ministers will look at alternative locations. Costs will be taken into account in deciding on location, along with operational effectiveness and the position of staff concerned.

  “The policy will apply to the Departments of the Scottish Executive, to its executive agencies, to the Departments of the non-Ministerial office holders and to the Crown Office, and to all non-departmental public bodies funded by the Scottish Executive.”

- On 25 October 2002, Andy Kerr, then Minister for Finance, announced, also in response to a Parliamentary Question (S1W-30915), the Small Units Initiative as an additional strand to relocation policy. The aim of the Initiative was to identify small units of work which are location independent and might successfully be carried out at remote locations. The policy recognised that even small numbers of additional jobs could make a significant difference to social and economic conditions in fragile rural areas. The Minister also confirmed that necessary funding would be made available over 3 financial years to offset some of the start up costs of Small Unit relocations.

- In January 2004, Tavish Scott, then Deputy Minister for Finance and Parliamentary Business, with responsibility for relocation policy, during evidence to the Finance Committee further clarified the methodology for considering location options. He confirmed that, to reflect Ministers’ objectives for addressing social and economic need, a suggested weighting of 50% would be given to socio-economic considerations in the qualitative assessment of relocation
options, including data on unemployment, underemployment, availability of suitable labour and deprivation indicators. Reviews were also required to consider business efficiency considerations, including costs, available transport links and property. The Deputy Minister also emphasised the need to take account of the views of staff and trade unions and for these views to be reported to Ministers as part of reviews.

- In September 2004, in response to the Finance Committee Inquiry on the Relocation of Public Service Jobs, the Scottish Executive set out a number of additional improvements it would introduce to the operation of the policy, including:
  - publish revised guidance on the relocation process;
  - ensure the reasons for each future relocation decision were made clear;
  - set clearer standards for staff consultation on relocation;
  - consider how the application of appraisal criteria could be made more consistent, through the publication of clear guidance on methodology to be used in relocation; and
  - provide information on the costs of relocation.

- In 2004 a dedicated Relocation Team was established within the Scottish Executive to co-ordinate activity on relocation policy. The Team currently consists of 5 staff, with support from property advice, HR and analytical professionals.

- The relocation review methodology, appraisal criteria and the requirement to consult with staff and unions were formalised with the publication of the Scottish Executive Relocation Guide in June 2005. The Guide also set out Ministers' current high level objectives for relocation policy, to:
  - ensure that government in Scotland is more efficient and decentralised;
  - provide cost-effective delivery solutions; and
  - assist areas with particular social and economic needs.

25. Relocation Methodology

2.3 The remainder of this section considers whether the methodology used to trigger relocations and to advise Ministers on location options for their final decisions effectively reflects Ministers’ objectives for the policy.

2.4 Scottish Ministers have not, to date, set any formal targets for the relocation of public sector jobs, either in terms of the numbers of posts to be relocated out of Edinburgh or specific levels of new or existing posts to be directed to particular areas. As set out in the Relocation Guide, a location or relocation review is triggered when the Executive establishes a new unit, agency or public body; where bodies are merged or otherwise re-organised; or where a body reaches a significant property break (i.e. the termination of an existing lease). Location reviews are therefore triggered at times when bodies are already required to consider their future accommodation needs.
2.5 As with the high level policy aims, the specific methodology for evaluating relocation options has evolved and been refined over time. Ultimately, the aim has been to ensure that Ministers have sufficient information on which to determine final relocation decisions, consistent with their wider objectives for the policy.

2.6 The Relocation Guide sets out in detail the current methodology for relocation reviews. The process aims to identify suitable locations, taking account of costs, efficiency and effectiveness factors relevant to each organisation and wider potential socio-economic benefits. Stage 1 of the review process establishes a short-list of potential locations. Stage 2 analyses in detail the costs and benefits associated with each of the potential locations, in line with the HM Treasury’s ‘Green Book’ guidance, *Appraisal & Evaluation in Central Government*.

2.7 The analysis considers direct cost impacts, including accommodation costs (rent, rates, service charges or new build costs); costs involved in relocating staff; travel costs, recruitment and training costs where existing staff are not transferring; parallel running costs during the relocation; and also potential efficiency savings, for example in bringing people in different locations together or reduced running costs. Templates for identifying these costs are provided in the Relocation Guide. An overall assessment is made of the net financial impact of different location options, in line with Treasury guidance.

2.8 The relocation review considers a range of other relevant efficiency and effectiveness factors, including issues such as staff retention, access to labour, access to stakeholders, availability of suitable properties and associated costs. The Guide acknowledges that the relative importance and impact of these different factors will vary between individual organisations and locations.

2.9 The Guide requires that cost/benefit considerations for relocations extend beyond those relevant to the specific organisation under review. The review process also seeks to establish the potential socio-economic benefits of different location options, taking account of relevant factors, including, for example, decline in working age population; unemployment claimant count, multiple deprivation factors; average earnings, etc. Qualitative analysis is also undertaken for example on potential benefits for the local employment market and skills levels and is informed by engagement with local authorities and local enterprise companies, etc. The Relocation Guide acknowledges that it is not generally possible to place a specific financial value on these qualitative benefits.

2.10 Although a similar methodology applies, separate weightings are applied with reference to smaller relocations (below 30 staff) reflecting the different scale of opportunities these may offer.

2.11 Full details of the relocation methodology are available in the Relocation Guide.

**Relocation Decisions**

2.12 A total of 38 relocation reviews have been undertaken to date.
2.13 Prior to the publication of the Relocation Guide, a small number of relocations did not follow the full methodology set out above. For example, where there were clear business imperatives for a particular location, although relevant business efficiency and costs factors were considered, a full options appraisal was not completed. This was the case with the move of Communities Scotland to Glasgow, which allowed the organisation to link relocating posts with its existing Glasgow-based staff.

2.14 In a small number of cases where the normal triggers have applied, the decision has been taken by Ministers not to proceed with location reviews or to defer decisions, for example where an organisation is under-going wider change to its structures or functions.

2.15 In all other cases the relocation review methodology operating at the time has been applied. As noted above, Stage 1 of the review methodology identifies a short-list of potential location options. All local enterprise companies and local authorities outside of Edinburgh have submitted potential priority locations for consideration, but the methodology is not restricted to these. Inevitably, the focus on socio-economic factors under both the main relocation and Small Units initiative, result in particular areas being more likely to be considered for relocations. However, the requirement to also consider business efficiency and effectiveness factors, such as available accommodation and transport links, extends the range of potential locations.

2.16 All 12 Scottish Enterprise Local Enterprise Company areas, as well as the Highland and Islands Enterprise area, have been on the shortlist for and have received relocations of public sector posts under the Executive’s relocation policy:

<table>
<thead>
<tr>
<th>Local Enterprise Area</th>
<th>Relocation Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayrshire</td>
<td>HMIE Regional Office</td>
</tr>
<tr>
<td></td>
<td>Accountant in Bankruptcy</td>
</tr>
<tr>
<td>Borders</td>
<td>Scottish Public Pensions Agency</td>
</tr>
<tr>
<td>Dumfries &amp; Galloway</td>
<td>Forest Enterprise</td>
</tr>
<tr>
<td></td>
<td>NHS Central Register</td>
</tr>
<tr>
<td>Dunbartonshire</td>
<td>HMIE Regional Office</td>
</tr>
<tr>
<td>Fife</td>
<td>Scottish Water HQ</td>
</tr>
<tr>
<td>Forth Valley</td>
<td>Public Guardian’s Office</td>
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<tr>
<td></td>
<td>Scottish Executive Inquiry Reporters Unit</td>
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<tr>
<td></td>
<td>Waterwatch Scotland</td>
</tr>
<tr>
<td>Glasgow</td>
<td>Scottish Executive Enterprise Transport &amp; Lifelong</td>
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<tr>
<td></td>
<td>Learning Dept.</td>
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<tr>
<td></td>
<td>Learning Teaching Scotland</td>
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<tr>
<td></td>
<td>Transport Scotland</td>
</tr>
<tr>
<td></td>
<td>Communities Scotland</td>
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<tr>
<td></td>
<td>NHS National Services Scotland</td>
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<tr>
<td></td>
<td>NHS Quality Improvement Scotland</td>
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<td></td>
<td>NHS Health Scotland</td>
</tr>
<tr>
<td></td>
<td>NHS Education for Scotland</td>
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<tr>
<td></td>
<td>sportscotland</td>
</tr>
<tr>
<td>Grampian</td>
<td>Food Standards Agency</td>
</tr>
</tbody>
</table>
2.17 The Stage 2 relocation review process provides Ministers either with a single recommendation or a list of credible potential locations, taking account of relevant factors set out in the methodology and any other relevant criteria (for example, information about local economic circumstances). Where the decision was taken not to retain an organisation in Edinburgh, Ministers’ final decisions reflected the outcome of the location review methodology, with the exception of Scottish Natural Heritage. The Scottish Parliament Audit Committee was advised that the then Accountable Officer for Environment and Rural Affairs Department did not consider that the move to Inverness reflected value for money. Ministers set out clearly the basis for their decision to relocate the organisation to Inverness, in line with their wider objectives for relocation policy.

2.18 Although costs/value for money were not the only factor considered at Stage 2, once a decision was taken not to retain an organisation in Edinburgh, in general, the final location choice reflected the lowest cost option (based on the available financial information), or cost differentials were marginal to the lowest cost option:

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Location Decision</th>
<th>Lowest Cost/ Marginal Difference</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scottish Water HQ</td>
<td>Dunfermline</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Scottish Public Pensions Agency</td>
<td>Galashiels</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Organization</td>
<td>Location</td>
<td>Selection</td>
<td>Notes</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>-------------------------------</td>
<td>-----------</td>
<td>-----------------------------------------------------------------------</td>
</tr>
<tr>
<td>Forest Enterprise</td>
<td>Inverness &amp; Dumfries</td>
<td>Yes</td>
<td>Inverness selected given existing staff located there and SNH considered the most appropriate body to locate there.</td>
</tr>
<tr>
<td>Scottish Natural Heritage*</td>
<td>Inverness</td>
<td>No</td>
<td>Inverness selected given existing staff located there and SNH considered the most appropriate body to locate there.</td>
</tr>
<tr>
<td>NHS National Services Scotland</td>
<td>Aberdeen, Glasgow</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Scottish Executive Inquiry Reporters’ Unit</td>
<td>Falkirk</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Office of the Scottish Charity Regulator</td>
<td>Dundee</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Visit Scotland*</td>
<td>Edinburgh</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Learning Teaching Scotland</td>
<td>Dundee</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Mental Health Tribunal Service</td>
<td>Hamilton</td>
<td>Yes</td>
<td>Marginal difference in property costs between options, Hamilton favoured on socio-economic factors</td>
</tr>
<tr>
<td>Scottish Building Standards Agency</td>
<td>Livingston</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Architecture &amp; Design Scotland*</td>
<td>Edinburgh</td>
<td>Yes</td>
<td></td>
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<tr>
<td>HMIE Regional Offices</td>
<td>Livingston, Clydebank, Ayrshire</td>
<td>N/A</td>
<td>Projected costs the same for all locations</td>
</tr>
<tr>
<td>Risk Management Authority</td>
<td>Paisley</td>
<td>Yes</td>
<td>Lowest property costs</td>
</tr>
<tr>
<td>COPFSS Transcription Units</td>
<td>Dingwall, Tain, Campbeltown</td>
<td>N/A</td>
<td>Other options not presented</td>
</tr>
<tr>
<td>Central Enquiry Unit</td>
<td>Kinlochleven</td>
<td>Yes</td>
<td>Marginal difference in costs. Kinlochleven selected for local economic circumstances</td>
</tr>
<tr>
<td>Crofting House Grant Scheme</td>
<td>Tiree</td>
<td>Yes</td>
<td>Marginal difference in costs, Tiree selected on HIE recommendation.</td>
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<tr>
<td>NHS Central Register*</td>
<td>Dumfries</td>
<td>Yes</td>
<td></td>
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<tr>
<td>Accountant in Bankruptcy</td>
<td>Kilwinning</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Waterwatch Scotland</td>
<td>Alloa</td>
<td>N/A</td>
<td>Only location considered</td>
</tr>
<tr>
<td>Transport Scotland</td>
<td>Glasgow</td>
<td>N/A</td>
<td>Only viable location identified</td>
</tr>
<tr>
<td>Communities Scotland</td>
<td>Glasgow</td>
<td>N/A</td>
<td>Only viable location identified</td>
</tr>
<tr>
<td>Sportscotland</td>
<td>Glasgow</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>
Conclusion

2.19 The methodology for reviewing location and relocation options has evolved over-time, reflecting the development of Ministers’ stated objectives for relocation policy: taking account of efficiency and effectiveness factors, including costs, for individual organisations; but also wider consideration of socio-economic impact and the distribution of public sector employment outside of Edinburgh.

2.20 Experience over a number of reviews and the findings of the Finance Committee Inquiry on Relocation, identified the need for greater consistency in the application of the location review methodology, including clearer guidelines on the criteria for assessing location options. These issues were addressed through the publication of the Scottish Executive Relocation Guide in June 2005, which established a set methodology for location reviews.

2.21 Previous decisions by Ministers on the choice of location have been consistent with the outcome of the review methodology at that time.
SECTION 3: INTERNAL EVALUATION – IMPACT ON ORGANISATIONS

Introduction

3.1 This section considers the impact of Scottish Executive relocation policy on the organisations experiencing relocation, in terms of costs, benefits and business risks. The primary content is a series of seven case studies of relocations of organisations implemented between 2003 and 2005, based on cost information and interviews. These are located at the end of this section along with tables showing cost information on the set-up and running costs of newly located and relocated organisations.

3.2 The most immediate and direct impact of relocations is on the organisations experiencing the move. This is the case for newly established organisations in new locations and, even more so, for existing organisations or units being relocated from current accommodation. Relocation policy does not impact on organisations in isolation. Public sector bodies are required to comply with requirements for Best Value, Efficient Government and effective asset management, alongside relocation, within the context of Scottish Ministers’ wider policy for reforming public services. It is not always possible to disaggregate the impact of relocation from other factors.

3.3 However, research evidence and direct testimony confirm that organisations across both the public and private sectors use relocation as an opportunity to facilitate changes within their business practices. Location can influence staff recruitment and retention as well as influencing productivity, absenteeism and general morale. Relocation also provides an opportunity for organisations to benchmark their space utilisation, considering not just the costs of space but the efficiency and effectiveness with which space is used and examples of innovative practice. Relocations can also provide less tangible benefits, for example in terms of more environmentally sustainable accommodation and better working environments for staff.

Key Drivers and Benefits

3.4 The Experian Business Division report for the Lyons’ Review investigated over 20 relocations from both the private and public sectors, covering both operational and policy activities. Overall, the analysis identified a range of key drivers and potential benefits for organisations from relocation:

Direct cost savings

3.5 For relocations out of London, significant savings were available on labour costs from the removal of the requirement to pay London weightings, which is not an issue here. However, the report identified other potential savings from lower rents, rates and charges and from reductions and re-grading of staffing as a result of wider business change.


3.6 The Audit Scotland report on Scottish Executive relocation policy (2006) identified significant savings on on-going running costs achieved by Scottish Natural Heritage, the Accountant in Bankruptcy and Scottish Public Pensions Agency.

3.7 Savings associated with relocation are not always evident in total budget figures. For example, SPPA originally planned to reduce total staff numbers following the move from Edinburgh to Galashiels by 5% but this has been off-set, in part, by increased requirements due to extra demands on the organisation. Similarly for SNH, savings in staff numbers have helped off-set the impact of increased responsibilities on the organisation.

3.8 For relocations, running-cost savings also need to be set against the up-front costs of relocating. These costs are considered in more detail later in this section. For other organisations, for example newly established organisations or bodies that previously formed part of the Scottish Executive core, comparable running cost information and savings are not always available. An additional challenge is that for earlier relocations baseline cost information was not collected at the time. This has been addressed in the Relocation Guide and the preparation of standard cost information templates for future relocations.

Relocation as a Focus for Business Change

3.9 The Experian analysis found that:

“…the main benefit [for organisations] delivered by relocation was the opportunity to re-engineer the business and embrace different working methods and technologies…long-term benefits would be maximised only if relocating to new premises went hand in hand with fundamental changes in the way the business is done. This process re-engineering was usually supported by developments in ICT.” (Experian Report, 2004)

3.10 This is confirmed by the experience of the SPPA, which seized on relocation as an opportunity for significant change to its business systems and to adopt new methods and technologies:

“We took the opportunity of relocation to change our working practices. This allowed us to change our main operations areas from a paper driven to an electronic basis using an electronic document management system to record data and workflow. Another major change was from having teams dealing with different types of pensions work to having teams split into geographical areas carrying out all aspects of pensions work instead. This has clearly succeeded in improving customer service by the creation of a coherent single point of contact for scheme members and employers.” (SPPA Corporate Plan 2004-2007)

3.11 The case studies provide further examples of how organisations have used relocation to introduce changes and improvements to their business practices and use of technology.

Improved Labour Force Availability and Culture Change

29
3.12 The Experian report found that it was often easier to recruit good quality staff, particularly at lower grades, in areas outwith the most competitive markets. For most of the relocations in Scotland, the majority of existing staff have not moved with their current posts. Availability of labour force has, therefore, been a crucial factor in the effective progress of relocations. In general, organisations are positive about their experience in attracting and retaining suitable staff from their new area. Even where organisations have previously had staff with long service histories in the same posts, dealing with relatively complex and technical issues, they have succeeded in recruiting suitable staff and have maintained or improved their quality of service.

3.13 For SPPA, the recruitment of a well-qualified and committed workforce, recruited mostly from the Scottish Borders area, was considered crucial to the continuing effective delivery of its core business responsibilities. The Chief Executive commented that:

“The bulk of the credit must go to our staff, particularly our new staff, whose enthusiasm and commitment to looking after scheme members have compensated on occasion for delays and problems caused by gaps in knowledge.” (CE SPPA, 2004)

3.14 Around a quarter of new SPPA staff had a University undergraduate or higher degree and only 1% of staff had no qualifications. (Biggar Economics, 2004)

3.15 The change over in staff has also provided other direct business benefits. Following the move to Galashiels, SPPA experienced a 33% reduction in sick leave absence from 7.8 average days to 5.2 average days. Sick-leave figures (also taking account of long-term sick leave) have also reduced by 30%. Staff retention rates were improved.

3.16 The Office of the Public Guardian commented positively on the availability of staff, following its establishment in Falkirk “Recruitment of staff from the surrounding area is extremely positive compared with a city centre location.” (OPG, 2004). The Chief Executive of the Scottish Social Services Council made a similar positive analysis: “Dundee and the surrounding areas have provided us with excellent, well qualified staff.” (SSSC, 2004)

3.17 Other organisations, e.g. Accountant in Bankruptcy and NHS Central Register have been pleased with the availability of suitable new staff in their new locations despite only one member of the existing staff (the Chief Executive and Team leader respectively) relocating to the new location in each case.

3.18 A key benefit from bringing in a high proportion of new staff is the opportunity for culture change within organisations. Organisations have embraced this opportunity. For example, SEIRU introduced improvement teams involving staff who were new to the organisation to review working practices and share their experiences and good practice examples from other working environments. (SEIRU Annual Report 2003-04)

Delivery of Wider Government Objectives
3.19 Relocation also provides the opportunity to support the delivery of Scottish Ministers wider policy objectives, for example for sustainability, equality and encouraging joined-up approaches to service delivery.

3.20 The move to Inverness has allowed SNH to co-locate with both the Deer Commission for Scotland and the Paths For All Partnership in Great Glen House. The NHS Central Register has been able to co-locate with Dumfries and Galloway Health Board in Dumfries, and has adopted to the Health Board’s IT systems, although at a small additional cost expenditure on its previous IT system. Learning Teaching Scotland and the Scottish Qualification Authority have co-located their offices in Glasgow. The benefits of co-location, in terms of breakdown cultural barriers and encouraging opportunities to share services and facilities, are recognised in the Executive’s Public Sector Reform agenda.

3.21 Promoting environmental sustainability is a duty on all public bodies under Best Value. The new SNH HQ at Great Glen House has been awarded the highest ever design and contract rating in the UK for environmental buildings. It received a score of 84% in an independent review to measure environmental quality. This review is the construction industry standard for environmental building. This is the highest score ever given to a building in the UK since the system was introduced in 1998. The SPPA office at Tweedbank also has a very good BREEAM rating and includes a biodiversity garden and sedum roof.

3.22 Relocation can also provide the opportunity to improve the accessibility to public sector accommodation, a statutory requirement under Disability Discrimination legislation, but also in line with the Executive’s equality and diversity commitments.

Relocation Risks

3.24 Alongside potential benefits, relocation can generate a range of significant risks for organisations.

Loss of skills

3.25 This was a risk identified by most organisations, but in particular for those with relatively high numbers of specialists (e.g. SNH, SEIRU) or staff with long-service histories dealing with complex technical or procedural matters (e.g. AiB, NHSCR). This is taken into account in the review methodology – organisations are asked to establish the numbers of staff, including specialist staff, who indicate whether they are likely to relocate to particular locations. However, for all organisations, particularly those moving to more distant locations, this risk requires particular management. In part this has been addressed through the relocation support offered to existing staff. In addition, a number of organisations have phased their moves and, in some cases, maintained existing staff in their current location, whilst new staff are trained and familiarised with procedures. Training and double running arrangements have inevitable cost implications which need to be factored into the relocation options, alongside the benefits of the organisation maintaining its functions. As noted above, in general, organisations have been pleased with the quality of new staff they have been able to attract in their new locations.
Disruption to Business Continuity

3.26 Alongside loss of staff skills, relocation can generate other risks for business continuity, for example the opportunity cost of senior management and staff time engaging on relocation issues rather than the organisation’s core business. Again this relies on effective management. In general this appears to have been achieved, with organisations continuing to meet their delivery targets and commitments over the period of relocation and beyond. Organisations have noted the commitment and energy of both existing and new staff, including those who choose not to relocate, as a significant factor in maintaining business continuity during relocation.

Impact on Individuals and Management/Staff Relations

3.27 Relocations have implications for individual members of staff and for relationships between organisations, their staff and Union representatives. For the vast majority of relocations it has been possible to absorb those staff not relocating into other posts or to achieve reductions through natural wastage. Support has been provided both to staff relocating, through financial support and other assistance, and for those who chose not to relocate, for example with additional training and time to identify an alternative post. The Relocation Guide emphasises the need to ensure early engagement with staff and Unions and throughout the relocation process. Staff survey evidence indicates that new and relocated staff are generally content with their new locations. No survey analysis has been undertaken of other staff who have not relocated with their previous organisation.

Increased Running / Opportunity Costs

3.28 As well as the short-term impact, relocation can have long-term financial and other implications for organisations. For Small Units relocating to remote rural areas there can be additional costs, for example for IT and telecommunications connections and support and the need to appoint a higher grade member of staff to manage the unit on site. Depending on the nature of the organisations functions, there are also additional costs for travel to and from meetings, training opportunities, etc.

Cultural Isolation

3.29 As well as physical distance, a number of relocated organisations have raised concern about cultural isolation from other public sector bodies, including, for example, a reduction in networking opportunities; lack of engagement or involvement with central change initiatives; distance from Ministers and key policy contacts. This isolation can be exacerbated where a large proportion of staff are new to the organisation and do not have previous links with the wider Scottish Executive or its sponsor bodies.

Management of the Relocation Process
3.30 Once a final location is determined by Ministers, it is the responsibility of the relocating body to plan and manage the location process, with, in the case of NDPBs, monitoring and support from their Executive sponsor Department. As well as implementing the delivery of the relocation, a key aim of the relocating organisations is to address the organisational risks set out above and to ensure the continuing effective delivery of their core functions and targets. Relocating organisations identified a number of key factors which assisted this process:

- establishing a leadership team with clear responsibilities and remit for delivering all aspects of the relocation;
- an effective project plan for the relocation
- an efficient communication strategy for staff and stakeholders throughout the relocation process.

3.31 One issue raised by a number of organisations was the lack of good practice guidance or support on planning and delivering a relocation following Ministers’ final decision. Once a relocation experience was completed the good practice experience was often lost as the internal leaders moved on to new duties. The Relocation Guide sets out the commitment to improve the support for organisation throughout the post-decision relocation process.

3.32 Despite the lack of good practice guidance, in all the cases reviewed, the Audit Scotland report on relocation (2006) concluded that the organisations had planned and managed the relocation process well. Organisations continue to be subject to performance monitoring requirements throughout the relocation process and have also undertaken their own specific analysis, for example through stakeholder surveys and engagement. There is no indication from this evidence of relocations having a significant detrimental impact on the delivery of organisations’ objectives or core functions – organisations continued to meet their delivery targets. However, organisations noted that there were additional cost implications in achieving this, for example in maintaining existing staff and services whilst delivery capacity and skills are built-up in the new location. Cost issues are considered in more detail in the following paragraphs.

### Cost Information

3.33 Section 2 of this report set out the arrangements for taking account of cost estimates as part of the location review methodology. The primary purpose of this stage of the process is to consider the relative cost implications of different location options. These costs are based on assumptions, for example about the numbers of staff who will relocate.

3.34 Actual costs are monitored through normal budget monitoring arrangements for each organisation. There is no central fund for general location and relocation costs. A total of £639,000 has been provided from central funds towards the costs of Small Unit initiative relocations, as set out by the Minister for Finance when he launched this element of the policy. Other relocation costs have been met by organisations and departments within their existing budgets and the normal financial flexibility available to them. As noted above, in many cases relocation will be undertaken alongside a wider review of the organisation’s structure and functions.
The costs and benefits of relocation would, therefore, form part of the wider costs and impact of the organisation’s restructuring.

3.35 The table at Annex A sets out information collected on the set-up costs of each organisation in its new location. The figures vary significantly in terms of absolute costs and costs per person. As noted on the tables, some organisations were not able to provide full or disaggregated information on a number of specific set-up costs and this is likely to impact on the total costs and comparisons with other relocations. The Relocation Guide now includes templates for the type of cost information that organisations should collect prior to and during relocations and this is being further refined in cost information templates for future relocations.

3.36 The most significant factor impacting on relative set up cost for previous locations and relocations is the requirement for the construction of new accommodation. Other significant costs include IT and telecoms set-up costs, fitting-out, training and recruitment and parallel running costs associated with maintaining services whilst capacity in the new location is built-up. Set-up costs per job are broadly in line with comparable figures for other forms of inward investment, although the same cost/benefit analysis is not directly applicable.

3.38 It should be noted that, in a number of cases, organisations (e.g. HMIE, Scottish Buildings Standards Agency) have relocated from existing Scottish Executive accommodation. The existing accommodation costs are, therefore, significantly lower. However, because the organisations were being established, for policy reasons, as separate Agencies it would not have been appropriate for them to continue to remain within Executive accommodation. The correct comparison therefore is between their new accommodation and benchmark accommodation costs for other office accommodation in Edinburgh. Estimated benchmark information is included within the case study examples.

Case Study Examples

3.39 The remainder of this section provides case study examples of 7 relocations. Where available, this includes comparative information on space utilisation, property and running costs before and after relocation. It also summarises general information about other qualitative impact from relocation, for example in terms of changes in business practices and delivery. In general, this confirms the positive benefits of relocation set out above. However, the analysis also identified a number of potential improvements with reference to space utilisation:

Space Utilisation

3.40 Almost all organisations achieved an occupancy density within benchmark Government targets of between 12 and 17 square metres. All organisations moved to a more open plan environment, to aid communication and knowledge exchange across the organisation. However, there were a number of areas that could be improved:

Benchmarking
• Benchmarking can be used to assess current accommodation use and set future targets. There was no evidence of benchmarking, which is generally accepted to be good practice, being deployed. The performance of the property portfolio should be assessed and monitored on a regular basis to ensure continued effectiveness. Setting benchmarking targets and monitoring these targets annually can help ensure there is a culture of continuous improvement.

Relocation Guidance
• There is no guidance in the Relocation Guide on workplace management. A number of organisations who relocated noted that lack of staff experience and guidance made these issues more difficult to address and that they were often not considered soon enough in the location review process. The inclusion of a best practice model in the Executive’s guidance and project planning this into the location review earlier in the process would aid planning and allow organisations more easily to consider workplace changes.

Evaluation and Post Occupancy Surveys
• Currently, the Executive does not use post occupancy surveys. Evaluation and monitoring is essential to understand how successful projects are and inform future projects. The Scottish Executive staff survey data and post occupancy surveys are important evaluation tools that could be used more strategically to achieve a more efficient and effective working environment.

Conclusion

3.41 Research evidence and case studies indicate that the impact of relocation is maximised where there is a wider focus on using relocation as a catalyst for business change. Benefits for organisations identified from relocations include:
• Running cost savings
• More efficient use of space and improved asset management
• Business restructuring
• Access to new sources of labour
• Culture change
• Co-location / clustering
• Clearer focus on sustainability
• Improved accessibility

3.42 However, relocation also carries with it significant organisational risks – including potential loss of essential skills; additional travel costs; difficulties in distance management; disconnection from stakeholders/other public bodies; disruption to core business. Responsibility for managing the relocation process once a decision is taken rests with the organisation being relocated. For the most part, relocations appear to have been well planned and managed to minimise disruption to organisations’ core functions and to capitalise on the potential benefits of relocation.
Effective engagement with staff and their representatives is a crucial feature of successful relocations.

3.43 The actual set-up costs of new and relocating organisations vary significantly, due to a range of factors, including accommodation costs; redundancy and transfer costs, ICT investment, etc. In each case, relocation and other associated costs have been monitored and scrutinised through normal budget processes. For the most part, one-off relocation costs have not placed additional financial burdens on central Executive funds, but have been met within the normal budget flexibilities available to Departments and organisations.
## Case Study 1

<table>
<thead>
<tr>
<th>Organisation Body</th>
<th>Central Enquiry Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Designation</td>
<td>Core Executive Estate</td>
</tr>
<tr>
<td>Number of staff (at time of relocation)</td>
<td>8.5</td>
</tr>
<tr>
<td>Number of Staff (FTE March 2006)</td>
<td>8.5</td>
</tr>
</tbody>
</table>

### Edinburgh Property – Saughton House

| Number of m² per person | 13.43 |

### Relocation - Kinlochleven Property

| Total set-up costs per person | £20,010 |
| Total set-up costs per m²     | £2,034  |
| Rent & Rates per person       | £837    |
| Rent & Rates per m²           | £85.12  |
| Number of m² per person       | 9.84    |

### Background

The Central Enquiry Unit is a ‘core’ part of the Executive estate whose function is to receive telephone and e-mail enquiries from the public. The Enquiry Unit was identified by Scottish Executive senior management as a Small Unit of the office that was suitable for relocation as they are not location dependent and can work independently of other units. The unit conducted a location review in 2004 under the Small Unit Initiative strand of the Relocation Policy. The unit relocated in May 2005 from Saughton House, Edinburgh to Kinlochleven, a small town in Highland Council area. There were 9.5 posts in Saughton House of which 8.5 posts relocated, one post did not relocate as the function carried out by this post was not suitable for a Small Unit relocation.

### Edinburgh Accommodation

26.1 Saughton House is a large property (18,402.8 m²) located in the west of Edinburgh and consists of a series of open plan ‘spurs’ accessed from a main corridor. The unit was accommodated in an open plan area and each member of staff had their own desk. The nature of their business means that alternative working patterns such as home working or hot desking are not appropriate, however, staff do work on a flexible working hours pattern.

### Kinlochleven Accommodation

26.2 The unit relocated to a small, leased property (83.61 m²) in Kinlochleven Business Park which was identified from a list of Small Unit locations created through the Executive’s collaboration with local authorities and enterprise companies. This accommodation costs less than the accommodation in Edinburgh.
SUMMARY

- Technological requirements played a significant part in this relocation as wireless technology was introduced to enable the unit to operate from Kinlochleven.
- The unit was restructured when they relocated, introducing new business practices.
- Staff and customer satisfaction is higher and output has improved – recognised in user survey.
- The property achieves an efficient use of space as the space per member of staff has approximately 10m² (The British Council of Offices recommends between 12-17m² per person). However, this means that there is no space for any future expansion, which may prove costly if expansion space is required.
- The design and layout of the office layout were dictated by the limited availability of space.
- This property is not DDA compliant.
- Running costs are higher mainly due to the IT support and line rental costs related to the remote location.
CASE STUDY 2

<table>
<thead>
<tr>
<th>Organisation Body</th>
<th>Croft House Grant Scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Designation</td>
<td>Core Executive Estate/Crofters Commission</td>
</tr>
<tr>
<td>Number of staff (at time of relocation)</td>
<td>8.5</td>
</tr>
<tr>
<td>Number of Staff (March 2006)</td>
<td>9</td>
</tr>
</tbody>
</table>

Edinburgh Property – Pentland House

| Number of m² per person | 13.62 |

Relocation - Tiree Property

| Total set-up costs per person | £15,790 |
| Total set-up costs per m² | £1,296 |
| Rent & Rates per person | £817 |
| Rent & Rates per m² | £70.95 |
| Number of m² per person | 11.51 |

BACKGROUND

26.3 The Croft House Grant Scheme’s function is to process grant applications and to manage the repayment of loans in connection with support to build new houses and improve existing croft houses. Like the Central Enquiry Unit the Croft House Grant Scheme was identified by Scottish Executive senior management and agreed by Ministers as a suitable Small Unit relocation as they are not location dependent and can work independently of other units. They conducted a location review in 2004 under the Small Unit Initiative strand of the Relocation Policy. The unit relocated in 2005 from Pentland House, Edinburgh to Tiree, an island in Argyll and Bute Council area. There were 10 posts in Pentland House, 9 of which were relocated to Tiree.

EDINBURGH ACCOMMODATION

26.4 Pentland House is a large, leased property (8854m²) located in the west of Edinburgh and consists of six floors all of which, with the exception of one, offer cellular office accommodation. Like the majority of Executive staff each person is allocated their own desk. No alternative working pattern is in place other than flexible working hours.

TIREE ACCOMMODATION

26.5 The unit relocated to a small, leased property (103.59m²) in the Business Centre, Crossapool, Tiree, which was identified from a list of Small Unit locations created through the Executive’s collaboration with local authorise and enterprise companies. Staff share the building with Argyll and Bute Council staff.
### SUMMARY

- The property achieves efficient use of space; the space per member of staff is 11.51m\(^2\).
- The property is more efficient to run, costing less per m\(^2\) than Pentland House.
- The relocation of this unit assumes that the scheme will remain in existence, if the scheme were to discontinue another unit would need to relocate to occupy the property.
- The relocation resulted in a reduction in storage space.
- The relocation achieved a co-location with Argyll and Bute Council.
- This building is compliant with the Disability Discrimination Act.
### CASE STUDY 3

<table>
<thead>
<tr>
<th>Organisation Body</th>
<th>Scottish Executive Inquiry Reporters’ Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Designation</td>
<td>Core Executive Estate</td>
</tr>
<tr>
<td>Number of staff (at time of relocation)</td>
<td>26</td>
</tr>
<tr>
<td>Number of Staff (March 2006)</td>
<td>22</td>
</tr>
</tbody>
</table>

### Edinburgh Property – 2 Greenside Lane

<table>
<thead>
<tr>
<th>Number of m² per person</th>
<th>Not Available</th>
</tr>
</thead>
</table>

### Relocation - Falkirk Property

<table>
<thead>
<tr>
<th>Total set-up costs per person</th>
<th>£16,500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total set-up costs per m²</td>
<td>£1,010</td>
</tr>
<tr>
<td>Rent &amp; Rates per person</td>
<td>£3,238</td>
</tr>
<tr>
<td>Rent &amp; Rates per m²</td>
<td>£167.67</td>
</tr>
<tr>
<td>Number of m² per workstation</td>
<td>16.34</td>
</tr>
</tbody>
</table>

Number of workstations has been used (not people) to account for space required for home based staff when visiting the office.

### BACKGROUND

26.6 The Inquiry Reporters Unit is a ‘core’ part of the Executive estate whose function is to process planning appeals and arrange public local inquiries or site inspections for this and other planning-related matters. The unit were co-located with other Executive divisions in 2 Greenside Lane, a leased building in the centre of Edinburgh. The unit conducted a location review as a result of lease break. The location review was announced in 2003 and they relocated to a property in Falkirk in 2004. There were 61 posts (including inquiry reporters) in 2 Greenside Lane all of which were relocated. Currently, there are 57 posts in this unit, 22 of which are office based.

### EDINBURGH ACCOMMODATION

26.7 2 Greenside Lane was a leased property (1245.12m²) located in the centre of Edinburgh and consisted of a mix of open plan and cellular accommodation. The unit was accommodated in an open plan area, with the exception of senior staff who occupied their own office. However, unlike most other Executive units almost half the staff, the Inquiry Reporters, work from home. Only the administrative staff and senior management are office based. Like all other Executive employees, a flexible working hours pattern is available to staff.
FALKIRK ACCOMMODATION

26.8 The unit relocated to a leased property (424.9m²) in Falkirk which was identified during Stage two of the location review process. The accommodation is open plan with one office for the Chief Inquiry Reporter. The Inquiry Reporters continue to work from home and one bank of desks is provided for staff visiting the office.

SUMMARY

- The property achieves efficient use of space as the space per member of staff is approximately 16.34m².
- It is worth noting that, if all staff were office based the accommodation requirement would increase to around 900m².
- The organisation used the relocation exercise to restructure the administrative team, resulting in a reduction of 4 posts. The restructuring provided improved progression prospects for junior staff and therefore retention of band A staff. This was more cost efficient.
- The organisation took the opportunity to reduce their storage when they relocated.
- From a space management perspective this property is space efficient and offers flexibility in terms of its ability to accommodate future expansion, especially given the business function of the unit where employees have adopted flexible working practices.
- The evidence suggests that this organisation used the relocation exercise to review workplace practices and occupy a property that has lower running costs.
- The Chief Executive spends much more time travelling, increasing travel costs.
- There is a sense of dislocation from the core Scottish Executive and the benefits that other SE staff derive from being located together.
CASE STUDY 4

<table>
<thead>
<tr>
<th>Organisation Body</th>
<th>Scottish Public Pension Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Designation</td>
<td>Scottish Executive Agency</td>
</tr>
<tr>
<td>Number of staff (at time of relocation)</td>
<td>200 (232 when parallel running)</td>
</tr>
<tr>
<td>Number of Staff (March 2006)</td>
<td>207</td>
</tr>
</tbody>
</table>

**Edinburgh Property – St Margaret’s House**

- Number of m² per person: 16.1

**Relocation - Galashiels Property**

- Total set-up costs per person: £31,283
- Total set-up costs per m²: £2,068
- Rent & Rates per person (office property only): £2,802
- Rent & Rates per m² (office property only): £197.68
- Number of m² per person: 14.17

Costs and area exclude storage unit.
Estimated rent and rates value for St Margaret’s House is £900,000 per annum.

**BACKGROUND**

The Scottish Public Pension Agency is a Scottish Executive Agency. The Agency administers and regulates the NHS and teachers’ pension schemes in Scotland, and other occupational pension schemes for which the Scottish Ministers are responsible. It also regulates the local government, police and fire pension schemes. The Agency leased accommodation in St. Margaret's House, Edinburgh, which was due to expire in 2002. A location review was conducted in 2001 and they relocated to a new build property in Galashiels in September 2002. At the time of the location review the Agency employed around 220 full time equivalent staff. Although all posts were transferred to Galashiels, around 75% of staff had to be recruited locally (this has now increased to 90%). To assist with the changeover, the organisation retained approximately 40 experienced staff in Edinburgh up to 18 months after relocation to allow new staff in Galashiels to be trained to the required operational standard.

**EDINBURGH ACCOMMODATION**

St Margaret's House is a large property located at Meadowbank in Edinburgh. The Pension Agency’s accommodation was spread over three floors and mostly consisted of a series of large rooms, each accommodating around 35 staff. Staff were predominantly desk-based as this was the most efficient practice for their business, however, staff worked flexible working hours.
**GALSHIELS ACCOMMODATION**

The unit relocated to a purpose built property in Galashiels (2934m²). The accommodation is largely open plan and is based on a single floor with six cellular offices for senior managers. The Agency also leased storage accommodation for the vast number of paper based files. A schedule of accommodation requirements was included in the building specification and there is also scope to build an extension, if required in the future. The property has a very good BREEAM rating and includes a biodiversity garden and sedum roof.

**SUMMARY**

The Agency maintains its own property asset register and has recorded those assets on the Office of Government Commerce’s property asset database (e-PIMS). The Agency introduced a number of changes following the relocation exercise, using it to:

- re-engineer its business processes, resulting in greater flexibility and increased levels of customer service;
- introduce an electronic data management system, including document storage;
- introduce new customer services, e.g. automatic benefit statements;
- introduce an in-house pension payroll function;
- introduce new software facilitating improved payments to pensioners;
- introduce an electronic data interchange with HMRC;
- implement a strict storage policy where only personal storage is permitted in the office space;
- improve telephone and call management capabilities; and
- change the organisational culture, made easier by the number of new staff who were unaware of past practices.

There is no doubt that the Agency embraced the relocation exercise, maximizing its potential to create a better working environment and change workplace practices. Clearly there were significant risks attached to this exercise as the number of changes introduced were significant and meant that the change management programme was crucial to its success. The Agency reports significant annual savings on rent and property, reduced staff turnover and sick absence. These savings mean that the relocation costs will be recovered over the next few years. Overall, this relocation has demonstrated efficient and effective workplace management, establishing an improved working environment that has regard for best practice in terms of the amount of space but also for aiding productivity.
CASE STUDY 5

<table>
<thead>
<tr>
<th>Organisation Body</th>
<th>Her Majesty’s Inspectorate of Education (HQ)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Designation</td>
<td>Scottish Executive Agency</td>
</tr>
<tr>
<td>Number of staff (at time of relocation)</td>
<td>97</td>
</tr>
<tr>
<td>Number of Staff (March 2006)</td>
<td>134</td>
</tr>
</tbody>
</table>

**Edinburgh Property – Saughton House/Victoria Quay**

<table>
<thead>
<tr>
<th>Number of m² per person</th>
<th>13.43 / 13.62</th>
</tr>
</thead>
</table>

**Relocation – Denholm House, Livingston**

<table>
<thead>
<tr>
<th>Total set-up costs per person</th>
<th>£11,806</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total set-up costs per m²</td>
<td>£655</td>
</tr>
<tr>
<td>Rent &amp; Rates per person</td>
<td>£3,099</td>
</tr>
<tr>
<td>Rent &amp; Rates per m²</td>
<td>£237.54</td>
</tr>
<tr>
<td>Number of m² per person</td>
<td>13.04</td>
</tr>
</tbody>
</table>

IT and TELS Running Costs not provided

**BACKGROUND**

Her Majesty’s Inspectorate of Education (HMIE) became an Executive Agency of the Scottish Executive in 2001. The Agency works to promote and contribute to sustainable improvements in standards, quality and achievements for all learners in a Scottish Education system which is inclusive. The location review started in September 2002 and the decision to locate the headquarters of the new Agency in Denholm House, Livingston was announced on 31 October 2003. The relocation exercise also encompassed new offices in Clydebank and Dundee.

**EDINBURGH ACCOMMODATION**

26.9 Saughton House is a large property (18,402.8m²) located in the west of Edinburgh and consists of a series of ‘spurs’ accessed from a main corridor. HMIE occupied 2 ‘spurs’ in Saughton House and some office accommodation in Victoria Quay.

**DENHOLM HOUSE, LIVINGSTON**

26.10 Denholm House is a modern 3 storey office building. HMIE occupy 2 floors (1,748m²) which is predominantly open plan, only senior management occupy cellular accommodation. HMIE co-locate with the Scottish Building Standards Agency, which occupies the other floor.

**SUMMARY**

The Agency introduced a number of changes as a result of the relocation exercise, using it to:

- Extend existing use of technologies such as video conferencing.
- Move more professional staff into an open plan environment.
- Establish a learning resource centre.
- Merge several small teams into one large team.
There is no doubt that the Agency embraced the relocation exercise, maximising its potential to create a better working environment and change workplace practices. Overall, this relocation has demonstrated efficient and effective workplace management, establishing an improved working environment that has regard for best practice in terms of the amount of space but also for aiding productivity.
CASE STUDY 6

<table>
<thead>
<tr>
<th>Organisation Body</th>
<th>Scottish Building Standards Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Designation</td>
<td>Scottish Executive Agency</td>
</tr>
<tr>
<td>Number of staff (at time of relocation)</td>
<td>21</td>
</tr>
<tr>
<td>Number of Staff (March 2006)</td>
<td>29 (planned 44)</td>
</tr>
</tbody>
</table>

Edinburgh Property – Victoria Quay

| Number of m² per person          | 13.62                             |

Relocation – Denholm House, Livingston

| Total set-up costs per post      | £12,659                           |
| Total set-up costs per m²        | £637                              |
| Rent & Rates per post           | £3,008                            |
| Rent & Rates per m²             | £151.41                           |
| Number of m² per post           | 19.86                             |

The number of planned posts (44) has been used as the SBSA are not yet fully staffed (29)

BACKGROUND

26.11

The Scottish Building Standards Agency (SBSA) is an Executive Agency of the Scottish Executive. The SBSA was established in 2004 with the aim to improve the standard of buildings in Scotland.

EDINBURGH ACCOMMODATION

26.12

The SBSA occupied open plan space in Victoria Quay prior to becoming an Agency. Victoria Quay is a large, predominantly open plan building accommodating approximately 2000 staff.

DENHOLM HOUSE, LIVINGSTON

Denholm House is a modern 3 storey office building. SBSA occupy the ground floor (874m²) which is almost all open plan space. The building is DDA compliant.

SUMMARY

The Agency noted the following points:

- Following relocation, increased use is made of technologies such as video conferencing.
- Relocation provided an opportunity to create an identity and raise the profile of building standards generally. Able to promote the corporate through use of corporate logo and colour scheme in office design.
- Co-location with HMIE means they are able to share a number of services e.g.
conference rooms, Accountant, Press Officer and HR Officer.

- Costs are more transparent for relocated bodies and are therefore easier to monitor and reduce.
- The space per person (19.44m² when Agency achieves planned capacity of 44 posts) is more than the recommended range. However, this is due to the limited property availability once the location decision was made.
- The space provides flexibility, allowing SBSA or possibility HMIE to expand in the future.
- It is now more difficult to maintain policy links and networks with the core Executive.
- Staff feel dislocated from the core Executive and associated benefits.
CASE STUDY 7

<table>
<thead>
<tr>
<th>Organisation Body</th>
<th>Transport Scotland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Designation</td>
<td>Scottish Executive Agency</td>
</tr>
<tr>
<td>Number of staff (at time of relocation)</td>
<td>200</td>
</tr>
<tr>
<td>Number of Staff (March 2006)</td>
<td>287</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Edinburgh Property – Victoria Quay</th>
<th>Number of m(^2) per person</th>
<th>13.62</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relocation – Buchanan House, Glasgow</td>
<td>Total set-up costs per person</td>
<td>£12,103</td>
</tr>
<tr>
<td></td>
<td>Total set-up costs per m(^2)</td>
<td>£530</td>
</tr>
<tr>
<td></td>
<td>Rent per person</td>
<td>£3,825</td>
</tr>
<tr>
<td></td>
<td>Rent per m(^2)</td>
<td>£240.50</td>
</tr>
<tr>
<td></td>
<td>Number of m(^2) per person</td>
<td>19.86</td>
</tr>
</tbody>
</table>

Running costs and rates were not available at time of evaluation exercise.

BACKGROUND

26.13

26.14 Transport Scotland is an Executive Agency of the Scottish Executive, established in January 2006. Its function is to support delivery of the Scottish Ministers’ vision for sustainable transport in Scotland. The unit conducted a location review in 2004, triggered by the establishment of the Agency and is currently in the process of relocating to Buchanan House in Glasgow where it will employ around 287 permanent staff plus a number of consultants and agency staff. This number includes around 130 staff from the Scottish Executive and some staff merged from other transport bodies e.g. Railtrack and Strathclyde Passenger Transport. This relocation is in progress and therefore much of the information is not yet available. However, this project has been included as a case study as the Agency has demonstrated some good practice during the course of the review and in the way it is utilising space. Staff have been involved and consulted at every stage and a range of options including flexible working and hot desking have been considered.

EDINBURGH ACCOMMODATION

26.15

26.16 The 130 staff from the Executive were previously located in Victoria Quay, Edinburgh, which is the largest building occupied by the Scottish Executive (27,638m\(^2\)). The accommodation is predominantly open plan with the exception of private offices for senior management. The unit is accommodated in an open plan area and each member of staff has his/her own desk.
BUCHANAN HOUSE, GLASGOW

26.17 Buchanan House is a refurbished office block in Glasgow city centre. The Agency will occupy four floors, totalling 5493m$^2$. The Agency considered that open plan encouraged communication and for that reason agreed that all staff, with the exception of the Chief Executive, would occupy open plan space.

SUMMARY

26.18 Ministers may be keen to use the creation of Transport Scotland to make many strategic links with related organisations. In making these links the new Agency will need to plan for taking on future additional responsibilities and as a consequence build in flexibility to allow an expansion. Building in flexibility, is good asset management planning, the Agency has maintained an appropriate benchmark levels while building in some flexibility. The relocation exercise included regular communication with staff, including a series of staff visits to the prospective building. The Agency visited a number of other offices to view other office design and layouts and considered alternative working methods. Directors will now be located in open accommodation. Staff will work a range of working patterns, including condensed hours, job share and part home working. There are plans to regularly audit the furniture and space layout as part of a programme of continual improvement.

26.19 Transport Scotland have not yet completed their relocation exercise but evidence points to a relocation that has considered efficiency, effectiveness and expression in the design and layout of their accommodation. The Agency have been able to use the relocation exercise as an opportunity to project a corporate brand, including the use of the corporate logo in some low cost design elements e.g. logo appears on glass partitions. They have worked to achieve a balance between cost and quality, producing an environment that is fit for purpose.
SECTION 4: EXTERNAL IMPACT

Introduction

27. 4.1 This section provides a brief overview of the evaluation to date of the external impact of the relocation of Scottish Administration posts under the Relocation Policy. For the purposes of this report, external impact is defined as the effect on the wider community – i.e. not the effects on the relocating business, which are considered separately under an assessment of the “internal impacts”. These impacts will comprise both economic and non-economic effects.

28. 4.2 Three of the key aims of the Relocation Policy relate to external impact:

- Decentralisation of government jobs/dispersal;
- Assisting areas in socio-economic need;
- Supporting fragile, rural and remote communities (Small Units Initiative).

29. 4.3 It is therefore appropriate for us to review the impact that relocations have had on receiving communities to enable us to assess whether these objectives are being fulfilled. It is also appropriate to consider the potential effect on the location from which bodies are relocating – in this case, Edinburgh.

30. 4.4 In such considerations, there are of course a number of caveats that apply:

- Firstly, it must be noted that economists continue to debate the potential impact that relocation of jobs may have on a receiving area. Work carried out by Hardman in the 1970s suggested that the effect was negligible and although this view is no longer held to be true, as noted by economic consultants Experian in their evidence to the Finance Committee in 2004, “there is still debate about the multiplier effect, or the effect on the local economy that receives jobs.. We can conclude only that it is likely that the effect will be beneficial .. because there are upsides and downsides of receiving public sector jobs.” Relevant key issues are discussed below;

31. Secondly, it is generally accepted that the full impact of a relocation will not be felt until some time after it has been completed. A recent report carried out by Tribal considering the potential benefits of proposed NHS relocations suggests that it will be 8—10 years before the full economic benefits of the move will be felt⁴; in evaluating UK relocations, Experian did not consider relocations that had taken place less than five years prior to the date of research and makes a formal distinction between evaluating the success of the move (one-off event) and the relocation (ongoing process). The earliest relocations that we have been able to

⁴ Tribal HCH, Economic Impact Analysis of Relocation of NHS QIS and NHS Health Scotland
consider took place in 2001: we would therefore expect that none of the
tese have yet reached their final potential and that further work must
be undertaken in the future to consider the longer-term impact of
relocation (both on the organisation itself and on the community);

- Additionally, it must be noted that data is not available to enable a systematic
  comparison between all relocations. This is partly because each relocation is
different: each aims to support one or more of the three policy drivers set out
in the Relocation Guide of June 2005 and each organisation and each
receiving community has its own unique profile (and unique pattern of spatial
interventions which may prove difficult to disaggregate). While we have
sought to draw out the general messages, it would be dangerous to over-
extrapolate from these at this time. Although in the future we hope to be able
to look at a more comprehensive picture of the local area before and after
relocation using indicators from the Scottish Neighbourhood Statistics in order
to assess the wider implications of relocation, changes that have taken place
in the methodology and data zones do not enable us to do this retrospectively
and the best available evidence is that supplied by the local enterprise
companies;

- Finally, it is important to be aware that no large-scale external evaluation of
  the impacts of a public sector relocation policy has been undertaken to date
  and that this is therefore relatively uncharted territory. We have considered
relevant literature on the subject, notably comments and publications by
Experian and King Sturge5 (this focuses primarily on private sector
relocations) and looked at experiences of relocation elsewhere in the UK and
abroad, bearing in mind the different policy objectives which apply in each
case. It is relevant to note that the current policy in Scotland puts a much
greater weight on the external impact of the policy – the benefits for receiving
communities – than those of our neighbours (although social and economic
engineering is also a key driver of the Irish policy) and that therefore there is a
paucity of meaningful comparisons at this time. It will be interesting to look
again at comparisons of external evaluation in the years to come to see
whether these bring further lessons for Scotland.

Considering the economic impacts of relocations

What do we know about measuring the economic effect of relocations?

32. 4.5 Economic theory provides us with quite a strong basis for
analysing the potential local economic impacts of a relocation. Some of the
key issues are as follows:

- If new public sector jobs are created in an area, these job opportunities will
  compete with other vacancies and could potentially bid up local wages. An
  expansion of public sector employment could therefore ‘crowd out’ private
  sector employment.

5 King Sturge, A Generic Guide to Office Relocation Strategy for Audit Scotland, April 2005
• The extent of crowding out will be highly dependent on the available supply of labour. If there is a high level of unemployment in the area and the jobs are suitable for the unemployed, then it should be possible to expand local employment without crowding out private sector employment. Similarly, improved job opportunities could lead to increases in local labour market participation.

• The new job opportunities would also promote in-migration and in-commuting (particularly by the current staff of the relocated organisation). This should significantly reduce the extent of crowding out of existing employment in the area. However, clearly if the jobs are filled in this way the impact on local employment would be much smaller.

33. 4.6 A theoretical approach suggests therefore, that in the short to medium term, it is likely that a relocation would lead to some beneficial impacts in terms of reduced local unemployment. Also, at the national level, redistributing job opportunities from overheating areas to economically depressed areas could lead to a small boost to overall employment, as those who choose not to relocate should be better-able to find alternative employment than residents of the economically depressed area. Essentially, the moderation of recruitment/wage pressures due to the loss of public sector jobs in the overheating area should lead to the creation of new private sector jobs – effectively the reverse of ‘crowding out’.

34. 4.7 In the longer term, migration effects should become increasingly significant as people start to respond to shifts in job opportunities and wages in different areas. In principle, where there are job opportunities, people will follow - which could be of particular importance in fragile rural areas although clearly population gained in one area represents loss elsewhere.

35. 4.8 To summarise, from a theoretical point of view, redistributing public sector jobs from overheating areas to more economically fragile areas does seem to make sense in economic terms. Doing so may lead to reduced unemployment and/or may boost the local population of the depressed area, which could be desirable both in terms of economic efficiency and in terms of social inclusion.

36. Measuring the economic effects of relocation

37. 4.9 Working with the evidence, determining the precise economic effects of relocation on a designated geographical area is not easy. The main impact of these policies will be in the local area with a direct stimulus in terms of employment and income to these areas. There will also be indirect (multiplier) effects in the local area through the additional income and potential supplier linkages. However, applying national Scotland level multipliers to these impacts is not appropriate as these are based on the Scotland wide linkages. Applying more local multipliers for specific areas can try to capture these types of additional impacts. However local multipliers do not readily exist due to the difficulties in quantifying impacts within a specific geography and accounting for effects such as leakage and commuting etc. In the absence
of such local multipliers, what we must do instead is to consider the additional
effect at a local level on the basis of the known and induced impacts where
these are supported by robust theory.

Findings to date – economic impact on receiving communities

The economic impact of relocations is difficult to quantify in absolute terms

38. 4.10 In assessing the economic impact of relocations to date on
receiving communities, we have therefore considered information available
from existing data sources and carried out a short survey of local enterprise
companies that had received relocations into their area. Findings to date
suggest that the external economic impact of relocations on receiving
communities is positive but difficult to quantify in absolute terms.
Quantification becomes easier in areas which are geographically discrete (e.g.
islands or rural remote communities) where the effect of “leakage” is lower
and relocated businesses are more likely to purchase services and goods from
local providers. This difficulty is highlighted by Audit Scotland in report into
Relocation published in September 2006 in which it comments (p.21,
paragraph 53):
39. “Measuring the socio-economic benefits delivered by relocation
is not straightforward. Benefits are more likely to be measurable where the
number of posts is high and/or the receiving area is small”. However, even in
areas where it is difficult to quantify the likely economic impact of small
numbers of jobs created, the creation of these new jobs still represents
progress in the right direction.

40. 4.11 It is interesting to note that while no enterprise companies
surveyed noted any negative impact of the relocation on the local economy, and there was a broad consensus that the creation of jobs was extremely
positive, there is no real consensus over the relative merits of the bringing
staff in post/bringing vacant posts, each of which has different implications for
the local economy: bringing jobs is essentially positive and vacancies are
particularly welcome in areas with high unemployment amongst a skilled
workforce. This may be explained by the different population and employment
profile of each receiving locality and indicates that when relocation decisions
are made, due consideration should be given to matching the employment
needs of the relocating organisation to the population and skills profile of the
short-listed localities. Research evidence shows that it is for unskilled and
lower paid work that proximity to employment is particularly important:
organisations offering vacancies of this sort are therefore likely to offer
greater employment opportunities to locals in the receiving community although it must also be noted that according to Experian, the creation of

6 Effects we might have expected to hear about include negative impact on local private sector providers, skills shortages and/or driving up local labour costs.
7 We would expect to see that there is a greater impact on the local economy when a greater number of the organisation’s staff reside and spend in the local area. To date the only data on spending patterns comes from the Biggar Economics report on the SPPA relocation. Even allowing for leakage effects, it is clear that following the relocation, a greater proportion of salary is spent in the Borders than prior to the move.
8 “The geography of poor skills and access to work”, Joseph Rowntree Foundation Findings, January 2006
managerial posts is likely to have a greater economic value to the area in the longer term.

*Increased employment opportunities in the area leads to increased impact on the local economy*

42. 4.12 The first notable impact of relocation is the increase in employment opportunities in a local area. This is particularly pronounced in areas with high unemployment and low population in which even a small number of new jobs has a greater proportionate effect as these represent a greater proportion of local employment opportunities than in areas with higher employment. The table attached at Annex B indicates the total number of posts moved to each of the new localities. The induced impact on the local economy of the new jobs in the area is difficult to estimate without a clear breakdown of patterns of staff commuting and spending. However, indications from the relevant literature suggest that the proportion of staff living locally (either relocating to the locality or employed from the local community) does increase over time⁹ and that this will have a gradually increasing impact on both the local economy and local services and the wider (travel-to-work) region. The relocations of the Accountant in Bankruptcy and of the NHS Central Registrar are both good examples of relocations which have had a higher than average proportionate impact on local employment opportunities as in each case almost none of the previous post-holders transferred and thus almost all roles have been recruited from the locality which implies that the impact on the local economy should be greater than in cases where employees commute to the location from their previous home. In the case of the SPPA, just over 60% of staff were recruited locally – the average travel to work distance for these individuals is 9.6 miles and it is therefore reasonable to infer (allowing for leakage) that the economic return to the local community is proportionately greater than in the case of less discrete communities¹⁰. There is little information available about the impact of these high-vacancy relocations on other local employers however, it is to be noted that there are potential benefits to be realised by organisations as a result staff changes and progression and that this creates new employment opportunities elsewhere in the local labour chain, often very welcome in areas with access to skilled population but where opportunities are limited¹¹.

43. 4.13 Notwithstanding some of the difficulties in interpreting the absolute value of the jobs to the local economy discussed above¹², we must note that creating new employment opportunities is intrinsically very positive

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⁹ A recent report carried out by Tribal suggests that the full impact of this takes 8-10 years to achieve.


¹¹ The only significant data to date on this issue also comes from the report cited above. 40% of new staff taken on by the SPPA came from other public sector bodies. Of new staff joining the Agency, 72% noted that secure employment was an attractive factor, and 61% the career prospects. Staying in the Borders and flexible working were also cited as key incentives. While 40% of those joining the Agency increased their previous rate of pay, 20% took a pay cut to join the Agency.

¹² Biggar Economics estimates the value of the SPPA relocation to the Borders at £6.13 million and 289 FTE jobs. As noted above, we do not use a multiplier effect to estimate the value of jobs to an area and this figure must therefore be treated with caution. It is however, a useful indicator of the approximate scale of impact.
– and regarded as such by the local enterprise companies which continue to lobby hard for the relocation of more jobs to their areas. Work obviously brings economic benefits to the individual and to the locality in which/he lives: individuals in work do not claim unemployment benefit, and reinvest in their locality, contributing to local revenues\(^{13}\) and using local goods and services. Even where individuals are commuting to the new location, they are likely to use local services (e.g. sandwich shops/petrol stations) some of the time.

44. 4.14 As the Executive recognises, however, work also has a much broader social function closely linked to ending poverty, discrimination and disadvantage. The Executive’s recently published NEET Strategy, “ More Choices, More Chances” and Employability Framework, “Workforce Plus” explicitly recognise the connections between employment and increased inclusion for the individual and longer-term economic productivity for the country. Additionally, independent research carried out by the Joseph Rowntree Foundation demonstrates that families in work contribute to the wider neighbourhood by pressing for improvement to and using local schools and services. The improved services are accessible to all in the community\(^{14}\). These findings support the conclusions that bringing new employment opportunities to areas of socio-economic deprivation thus contributes not only to the prosperity of individual families but also to the Executive’s longer-term goals of creating a Smart, Successful Scotland and ending poverty and exclusion.

**Greatest impact of new jobs in areas where these represent significant proportion of local work force or where the local economy is in trouble**

4.15 Consideration of the relative impact of the creation of jobs suggests that the impact of new employment opportunities (vacancies or posts with incumbents) appears to be most valuable where they have a greater proportionate impact, e.g. where these represent a noticeable proportion of local employment opportunities, where the local economy is facing particular difficulties (e.g. job losses) or where the relocation facilitates the employment of individuals previously not in the labour force. The creation of seven jobs in Tiree (which has a total population of 800) as a result of the relocation of the Croft House Grant Scheme appears to have had a much greater significance than a similar number would have had in a city: according to Highland and Islands Enterprise (HIE), this was particularly valuable following the closure of the local Met Office and bringing both employment opportunities and new population to the island. HIE also noted that the creation of permanent year-round posts in Kinlochleven was particularly welcome in the light of the closure of a local call centre within a community where many of the jobs are seasonal. Similarly, the explicit consideration of the effects of foot and mouth disease on the economy of Borders at the time of the decision to relocate the SPPA has been regarded as significant. The report by Biggar Economics on the impact of the relocation of the Scottish Public Pensions Agency (SPPA) cited above identifies that 12 % of

\(^{13}\) While transfer payments should not be used in terms of strict economic assessment, in social terms this is significant, increasing the resources of, and lessening the demand on, the locality.

respondents would have moved away from the Borders, had the opportunity to work in the Agency not arisen and moreover that 10% of new staff had previously been unemployed.

46. 4.16 These findings suggest that the relocation policy – and in particular the Small Units Initiative - continues to play a role in supporting fragile and rural communities and communities suffering specific economic difficulties, and that while relocations to such communities may not be without challenges in terms of internal impacts, the external impact can be significant in such cases.

48. Regeneration

49. 4.17 Other than the creation of new employment opportunities, the biggest single economic impact of relocation singled out by local enterprise companies surveyed, has been regeneration. As economist consultants, Experian, noted in evidence provided to the Finance Committee in March 2004, “These days, public sector relocation often goes along with construction of good-quality new buildings. Of itself, that is neither here nor there, but if the relocation is part of a larger regeneration scheme, it can have a big effect on the area”. The scale of regeneration that Scottish relocations to date has varied from project to project, from the uptake of a previously unoccupied building in Livingston by HMIE and the Scottish Building Standards Agency, the refurbishment of Cairnsmore House in Dumfries (relocation of NHS Central Register) to the much more sizable operation that has taken place on the Dundee City Centre Waterfront development. As noted by the local enterprise company, “it is difficult to attribute the amount of investment that relocation [of government jobs] has encouraged but the indication is that it has been positive”, contributing to encouraging growth in property office and retail market rentals as a government client can be regarded as a reputable anchor tenant. Scottish Enterprise also noted that relocation has contributed to the change in image of Dundee and the resultant positive press and media attention that the city is receiving.

50. 4.18 These findings suggest that it is important for us to continue to consider the opportunities for relocations to support ongoing regeneration projects and to collect more data about the role that relocations can play in contributing to the wider improvement of an area.

Organisational contribution to local economy: using local suppliers

52. 4.19 Purchase of goods and services from local suppliers is also highlighted as having a potentially significant effect on the local economy: this indicates that it may be worth considering how to encourage more relocating organisations to use local providers where procurement considerations allow. A good example of an organisation which has done so is Her Majesty’s Inspectorate of Education (HMIE) which relocated to Livingston. HMIE sourced furniture from a local supplier; contracts for catering, cleaning and taxi services have been awarded locally. While this is again difficult to quantify
in terms of absolute value, it can be noted that this does have an impact on other local companies, ensuring that they remain viable or able to expand.

53. Non-economic impacts on receiving communities

54. The available information on the non-economic impact to date of relocation is patchy and as noted above, the full benefits will take time to embed. However, the following instances provide an indication of the benefits that relocation can bring to a community and which, with appropriate planning, might be a useful basis for consideration in further relocations:

- **Improved profile of an area**, increasing attractiveness to other investors. Scottish Enterprise Fife have commented that “the locating of Scottish Water’s Headquarters in Dunfermline has been of great significance... The Headquarters has meaningfully raised the profile of South Fife and has shown it as an area ideally suited for the location of HQ functions”;

55. In some cases where relocation has resulted in staff moving with posts, this has led to an increase in the local population and had a consequent effect on local market prices. This may be regarded as positive or negative: in the cases on which we have data (this has been regarded as primarily positive: attracting new population to particular areas of the Highlands and Islands is a declared priority of Highlands and Islands Enterprise (HIE) and has important implications for the planning and delivery of local services; similarly, the working age population of the Borders is declining although its overall population is increasing and therefore even a small number of individuals relocating (7 by October 2003) bucks the trend;

- Although we have no data indicating whether or not dispersing government jobs across Scotland does bring government closer to the people (an articulated aim of the dispersal policy), the presence of government offices in other parts of the country does provide the opportunity for young people across Scotland to engage with government and to undertake work experience within the Scottish Administration without leaving home. A good example of this has been the Central Enquiry Unit of the Scottish Executive, now located in Kinlochleven, which offers work placements to local school pupils and raises the profile of the Scottish Executive within the locality;

- It also appears that relocation can have an important social impact, increasing the number of highly skilled people in an area which is likely to have longer-term benefits for the wider area. As noted by Experian in the written evidence presented to the Finance Committee in 2004:

> “Relocation implies a significant boost for skills and investment, both of which are key drivers of regional productivity… This could be expected, over time, to create a flow of learning to other sectors, through networking and turnover of staff.”
In several cases and notably the relocations to Galashiels and Kinlochleven, it was noted that relocation was beneficial for the career prospects of local people offering new avenues and retaining the skilled. This appears to have been particularly true for the SPPA move to Galashiels where value was placed on being able to have an “Edinburgh-quality” job within the Borders. In Dundee, relocations have contributed to the cluster of public-sector staff requiring call-centre training and to the resultant decision to develop a specific skills programme to be run locally to address this need.

- Relocation of Scottish Natural Heritage to Inverness is considered by Highlands and Islands Enterprise to have increased demand for and use of desired transport routes (air and road) to Inverness. This has benefits for all the citizens of the region as services in demand are more likely to be maintained.

56.

57. Economic impact on Edinburgh – findings to date

58. In setting out to assess the potential external impact of relocations, it is important to consider not only the identified economic impacts on the receiving area, but also the potential impact on Edinburgh. In summary, however, there is no evidence to suggest that relocation is having a negative impact on Edinburgh. Indeed the economy of Edinburgh is thriving:

59. Evidence of Edinburgh’s success

- Edinburgh accounted for approximately 15% of economic activity in Scotland in 2003 with gross value added (GVA) of approximately £11.6 billion;

- The city is widely acknowledged as the UK’s 2nd financial centre after London, and is ranked 5th in Europe; it is home to two of the world’s leading banks (Royal Bank of Scotland and HBOS) and to leading Life and Pensions providers including Standard Life, Scottish Widows and Aegeon UK;

- Unemployment is low and the percentage of working age adults higher than the national average

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Edinburgh City</th>
<th>Scotland</th>
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<tbody>
<tr>
<td>Employment</td>
<td>77%</td>
<td>75%</td>
</tr>
<tr>
<td>Employment rate (working age)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total employment (000s)</td>
<td>234</td>
<td>2,415</td>
</tr>
<tr>
<td>Unemployment</td>
<td>2.9%</td>
<td>3.3%</td>
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</table>
• In October 2006 the claimant count unemployment rate for Edinburgh was just 2.9%, one of the lowest regional levels in Scotland. As noted by Edinburgh City Council unemployment in Edinburgh “has been consistently and significantly below the Scottish average for several years”. 15

• The employment rate in Edinburgh was also above the national average at 77% during 2005;

• 81% of working age people in Edinburgh are economically active. This is higher than the Scotland average of 79.2%. Working age people account for 67% of all people in Edinburgh city. This is higher than for Scotland as a whole.

• The number of employee jobs in Edinburgh increased by 40,700 between 1999 and 2004. This is a 15% rise compared to 8% for Scotland as a whole. According to the Statistical Summary produced by Edinburgh City Council in June 2005, “the number of employee jobs in Edinburgh and the Lothians currently exceeds the number of economically active individuals, making labour supply a significant issue for the region”.

• Earnings in Edinburgh are above the Scottish average. Gross median full-time earnings in Edinburgh were £462 per week in April 2005. This is 12% higher than earnings in Scotland as a whole;

15 Edinburgh – a Statistical Survey: Key data for Edinburgh and the Lothians, Edinburgh City Council, June 2005
Despite decisions taken to relocate posts out of Edinburgh, the total number of public sector workers in Scotland has risen since 2003 both in absolute terms and as a proportion of the Edinburgh workforce;

Edinburgh has a high rate of business start-ups (higher than the Scottish average and only 1% below the UK) demonstrating that a significant amount of entrepreneurial activity occurs in the City;

![VAT registrations per 10,000 adult population, 2005](image)

Business R & D stood at £110 million during 2003, 21% of the Scottish total: according to Edinburgh City Council\(^\text{16}\), 54% of total Scottish research and development spending (a key determinant of future growth potential) – occurs in Edinburgh and the Lothians;

The service sector in Edinburgh accounts for around 90% in Edinburgh and has grown strongly in recent years with employment rising by 25% between 1999 and 2004. Manufacturing accounts for only 5% of employment in Edinburgh compared to 10% in Scotland. Tourism and the creative industries continue to perform well;

Financial and business services account for 32% of employment in Edinburgh compared to just 18% in Scotland as a whole. This sector has seen extremely high growth in Edinburgh with employment rising by over 50% between 1999 and 2004;

**Edinburgh has a lower proportion of data zones in the 15% most deprived than many areas in Scotland, a rising population and strong housing market**

The most recent Scottish Index of Multiple Deprivation, published in October 2006, found that the least deprived data zone in Scotland is in Edinburgh (Comely Bank). Although 63 Edinburgh data zones feature in the list of the 15% most deprived in Scotland, in proportionate terms (“local share”) this equates to 11.5% of Edinburgh in the top 15% as compared to Glasgow
The population of Edinburgh and the Lothians continues to rise (Lothian health board estimates that by 2018, the population of the Lothians will have grown by 7% compared to a 2.4% decline for Scotland as a whole);

As noted by Edinburgh City Council, “rising house prices in Edinburgh and the surrounding area are a reflection of the city’s successful economy and high quality of life.” Average house prices have risen by 125% between 1996 and 2004, compared to an average increase of just 61% for Scotland as a whole. However, in relation to average earnings, housing is less affordable in Edinburgh than in most other parts of the UK outside London and South East England and Edinburgh Council notes that: “this has major repercussions for labour supply and commuting”;

In a recent report by the Work Foundation comparing international cities, Edinburgh was recognised as one of only two “Ideopolis” (knowledge-cities) in the UK;

As Edinburgh Council acknowledges: “In recent years Edinburgh has benefited from a period of sustained economic growth unparalleled elsewhere in Scotland…. Evidence from Council surveys indicates that business confidence in Edinburgh remains very strong.”

It can therefore be seen that the economic position of Edinburgh is considerably above the Scottish average - indeed the city may in fact be perceived as in danger of overheating. There is no evidence to suggest that retaining the relocated jobs in Edinburgh would have had any beneficial impacts on the city: indeed, if anything we may conclude the contrary. As noted by Experian consultant, Neil Blake, in his evidence to the Finance Committee in March 2004:

“[where there is evidence of overheating], there is a sound logical argument for moving people out of overheated areas... to areas where more spare capacity exists. The idea is that the office space and transport infrastructure capacity can be filled by other jobs that have growth potential. If that happens, there should be a net benefit”.

Conclusion

In conclusion, we may therefore note that the creation of jobs in parts of Scotland outside Edinburgh does appear to have an impact on the communities in which these jobs are created albeit that it is impossible to put an exact value on this. Edinburgh does not appear to have suffered from relocations that have taken place to date: this suggests that relocation can bring external benefits to Scotland as a whole – benefits felt outside Edinburgh not requiring to be offset against any negative effects for the capital.

17 Source: Edinburgh City Council leader’s document, Edinburgh City Council website.
63. 4.23 The most successful relocations to date in terms of external impact appear to be those which contributed to the ongoing regeneration agenda, or which have created jobs in fragile and remote communities or communities in which job losses were to be expected. While these benefits must be weighed up against the cost of relocations and of the impact on the relocating organisations, the evidence suggests that these areas should be considered as priorities for future relocations although it must be noted that all relocations that offer the potential to bring the previously unemployed into the labour market will have a positive impact. (Current option appraisal considers the relative socio-economic situation of location opportunities but does not explicitly address the issue of relative potential impact.)

64. 4.24 There is potential to ensure that relocating organisations do maximise the benefits to the local community of the relocation – increased lead-in time to the relocation is likely to improve these. Working with the local enterprise company to identify the skills needs of the organisation may increase the likelihood of employment of local staff, sourcing products from local providers and offering work placements and outreach to the local community where appropriate are examples of how this might be achieved. Local authorities and enterprise companies might consider whether activities to attract existing staff of the organisation to consider relocating to, and/or spending in the new locality might also increase the impact of the relocation on the community.

65. 4.25 As noted above, the relocations that have taken place under the policy first announced in 1999 have not yet matured and it will be important to reassess the longer-term impact that they have had on the receiving community at a suitable point in the future – perhaps 15 years from the date of relocation in line with Net Present Value cost calculations- to explore this matter further and enable a meaningful cost/benefit analysis to be derived. In the interim, it would be helpful to ensure that additional data on the residential location of staff and on their spending patterns to allow for more evidenced understanding of the impact of relocation on spend within the local community.

66.

67.
SECTION 5: UK AND INTERNATIONAL BENCHMARKING

68. Introduction

5.1 This section provides a comparison of relocation policies and strategies across the UK and Ireland, with supplementary information from a variety of international sources.

5.2 The Governments and Administrations across the British Isles are organised in a very similar manner due to their historical links. These include: the United Kingdom, Scotland, Wales, Northern Ireland and Eire (Ireland). Each also has its own location strategy for the public sector and they therefore provide useful information. This presents Scotland with an opportunity to learn from the successes and the mistakes of the past and from the current approaches being taken in these Governments and Administrations. In fact, the five approaches have been developed through lessons from each other but more sharing of knowledge and experience can be taken.

5.3 While other governments across Europe and around the world also have location strategies, their use as comparisons are often limited. Most governments with location strategies have a public sector which is structured very differently from ours and face challenges upon which it is difficult to learn lessons. The information provided in these areas is often anecdotal and limited in detail which, in addition to the obvious language barriers, adds to the difficulties in providing a comparison.

5.4 Therefore, this paper attempts to outline the different approaches that have been taken across the UK and Ireland in the following areas:

68.1 Policy Objectives:
   - Implementation;
   - Relocation Trigger;
   - Accommodation issues;
   - Location criteria;
   - Staff;
   - Numbers of posts;
   - Cost;
   - Evaluation; and
   - Other unique issues.

68.2 5.5 Where possible and relevant, information from the experiences of other countries will be included.

68.3 69. Policy Objectives

69.1 5.6 The policy objectives on location of the five administrations are different in both their extent and their purpose. There are objectives that focus on increasing efficiency and delivery while others can be seen as more ‘politically’ motivated, such as government visibility or altering religious balances. While some administrations have articulated the policy objectives more clearly than others, in some instances
objectives have been developed subsequent to the commencement of the location strategy implementation.

5.7 The Scottish Executive relocation policy objectives are to ensure that government is more efficient and decentralised, to provide cost effective deliver solutions and to assist areas with particular social and economic needs. Compared to the other policies considered, this is probably closest to the location policy of the Welsh Assembly Government, in that it also aims to increase the proportion of staff working outside Cardiff, increase efficiency and effectiveness, bring service delivery closer to customers, promote value for money and assist local economies. Wales has also added additional objectives such as accommodating the wishes of staff and promoting sustainable development. Essentially, they are both policies with the objectives of spreading the benefits of recent devolution, increasing the visibility of the administration outside the capital, and using government employment to assist areas where the economy is not as robust as in the capital. Indeed, both capitals greatly benefited economically from devolution but there is the need to demonstrate that devolution didn’t just result in a shift from Westminster to centralisation in Cardiff or Edinburgh but from Westminster to Wales or Scotland.

5.8 Eire shares some of the policy objectives of Wales and Scotland and is attempting to decentralise government from Dublin to the rest of the country. It is no doubt ambitious with the number of posts moving (over 10,000) being specifically laid out as an objective in itself. Eire’s policy is also to use government employment as a way to boost the uneven economic development of the ‘Celtic Tiger’, creating greater development and employment opportunities away from larger urban areas, particularly Dublin. Increasing efficiency or delivering savings is not a stated objective of the Eire policy.

5.9 The policy objectives of the UK Government are quite similar to Scotland and Wales. It states that it wishes to increase efficiency, boost regional economic growth and bring government closer to people (though devolution shares this objective as well). However, the key differences are most likely in the emphasis or priority placed on these objectives. There is a clear priority in delivering efficiency savings.

5.10 Northern Ireland has very unique circumstances (economic, religious and political) and its location policies (both current and 1991) have been developed to address these. Location policy is currently not a separate policy but is part of its ambitious programme of reforming public services. The overall purpose of this programme is to reduce expenditure while meeting service delivery expectations. So while some posts may be dispersed, there is a clear priority on making services more accessible and cost effective. Purpose-built campuses outside greater Belfast may be built to locate 2-4 departments. The 1991 programme which had the specific aim of assisting the revitalisation of Londonderry and structured to have a positive impact on [religious] equality of opportunity and build more substantial Northern Ireland Civil Service (NICS) presence in the west.

5.11 It is clear from this assessment that Scotland and Wales, recent beneficiaries of devolution have developed similar policy objectives around location, though this has not meant a similar strategy for reaching these objectives. While UK Government policy is similar, different emphasis has been placed on certain
objectives. While Ireland has some similar objectives, the policy is clearly different; Northern Ireland’s circumstances are unique and make comparison very difficult.

5.12 France’s policy on location emphasises the need for strict control of development in the historic centre of Paris and around developing centres of excellence throughout the country, particularly in the fields of science and research. In France, implementation of this policy is overseen by an independent Commission.

5.13 The Scottish Executive has a specific Relocation Policy Team which ensures the implementation of the policy and oversees the programme. The policy team sits as a normal policy branch within a department but there is a Ministerial sub-group comprised of five Ministers which oversees the policy.

5.14 Implementation in the UK Government varies by department. However, the Office of Government Commerce has a branch which oversees the policy, monitors implementation, and provides advice. The OGC is an independent office of the Treasury.

5.15 Wales and Eire have taken a similar approach. They both have a programme implementation team which carries out the process. However, they both answer to a steering group comprised of senior managers who oversee, guide and monitor the review. This steering group in turn responds to the appropriate Minister. This ensures that the team carrying out the process receives clear guidance and close scrutiny.

5.16 A trigger results in an organisation being considered for a location review. There are two types of trigger: proactive and reactive. Some policies use both of these types of triggers and there are benefits and drawbacks to each one.

5.17 The Scottish Executive has a reactive location review policy. A review of a location is undertaken if a new unit, agency or public body is created, if there is a merger or re-organisation of an existing one, or if there is a significant property break (i.e. termination of an existing lease).

5.18 Eire and the UK Government have more pro-active policies. There has been an active attempt to identify business areas which could be moved out of Dublin or London. In the case of the UK, this has meant the identification of business areas which are not dependent on a London or South-east location. In Eire, this has meant the dispersal of core departments, including central headquarters and head offices. This method has resulted in the overwhelming number of relocation by both Governments. However, each Government combines this with a reactive policy. In Eire, new agencies or bodies will be located outside Dublin save in exceptional circumstances. This approach is partially used in the UK, as there is a presumption against a London location for new organisations. The UK policy also includes lease breaks as a trigger for a review of location.
5.19 The policy of the Welsh Assembly Government combines both elements. Active identification of units for relocation has occurred and there is a drive to be closer to main customer bases. It is also slightly reactive in that the current accommodation in Cardiff is over-capacity and there is a lack of accommodation for expansion. A rationalisation of office space in Cardiff is also being implemented. Other pro-active elements include the inclusion of relocation options in quinquennial reviews of Assembly-sponsored public bodies (ASPBs). Another reactive element has also been included where 'natural breaks' occur and ASPBs will be required in these cases to produce fully costed and realistic options for office location outside Cardiff, including introducing a regional presence. Also it is envisaged that new functions should be located outside Cardiff. The Welsh policy cites the Scottish Executive’s policy on many of these matters.

5.20 Northern Ireland again has unique circumstances that have moulded its approach. The current policy will attempt to relocate discrete business units and organisational entities in an attempt to have the numbers of civil service staff correspond to the population of a district council area. However, this will not result in large numbers being relocated as 60% of the population of Northern Ireland lives in the Greater Belfast area (in comparison with Edinburgh which has about 8% of the population of Scotland and is not even the most populous city, unlike Dublin, Cardiff or London).

5.21 Northern Ireland’s 1991 guidance stipulated that dispersal should be considered when a new function emerged, an existing function changed significantly, a lease was due for renewal or a major refurbishment was to be undertaken. However, there were no substantial dispersals undertaken as they were generally rejected due to the high costs involved or the absence of suitable accommodation outside the Belfast area.

5.22 Use of the triggers has been different in each country due to the unique circumstances of a region/country (such as population concentration, property costs or existing property issues) and the differing policy objectives. It cannot be said that one is more suitable than another but instead that they are intended to meet the original objectives. However, it is quite clear that a combination of both proactive and reactive triggers are often more suitable in meeting the needs of policies with numerous objectives. While costs can be kept quite low with the use of reactive triggers in Scotland, a proactive policy for the UK can also result in cost savings. The most costly however is one in which the reactive element of a policy is minor and the proactive element is the major driver and results in identifying what can be moved, not what is more easily moved.

5.23 Denmark’s stated policy is to set-up all new agencies and institutions outside Copenhagen. However, attempts to relocate existing posts have met strong resistance from staff and this has so far halted any attempt to relocate existing jobs.

5.24 Norway’s stated policy is for any new state agencies to be located outside Oslo. However, there are no plans for any further relocation of established agencies from Oslo (besides those mentioned in below).

72. Accommodation Issues
5.25 The various policies across the Isles have taken account of accommodation issues in different ways and some have partly been accommodation-led policies.

5.26 The UK policy is partially accommodation led. Due to the high expense of property in London and the South-east, large efficiency savings can be made through moves outside the capital region and will indeed result in the bulk of savings as a result of the policy.

5.27 The Scottish Executive’s policy attempts to balance the need to disperse jobs with the need to fill existing public sector office space.

5.28 Eire has preferred to use a Public Private Partnership approach and has allocated €20 million to meet up-front investment. There is also a presumption in favour of leased accommodation. The maximum space requirement under the policy is 20m² per person (inclusive of all circulation and ancillary space requirements).

5.29 The current policy in Northern Ireland will attempt to meet existing civil service standards of 15m² per person. However, the earlier policy of 1991 was not accommodation led. Indeed space vacated was left vacant for a considerable period of time as there was no overcrowding in the current accommodation in Belfast. There were also no cost savings from the relocations outside of Belfast due to the high costs of new builds in the underdeveloped property markets.

5.30 Wales has a more particular problem in that there is overcrowding in Welsh Assembly Government offices in Cardiff. This leads to a more accommodation-led implementation. The assumed standard is 15m² per person. Wales is choosing new locations which are accessible and prominent. There is a drive to improve ICT infrastructure including upgrading video-conference facilities as well as improved meeting facilities. The policy wishes to enhance the profile of the Welsh Assembly Government (the reason for prominent locations and a large part of the reason behind the policy) and will provide reception facilities in each new build with access to Assembly information for the public on a ‘drop-in’ basis.

73. Location Criteria

73.1 Choosing a location for an organisation is a key aspect of relocation due to the sensitivities around the issue and the potential for disrupting the business for a considerable amount of time. Each policy in the Isles has chosen a different approach for setting the criteria on which a new location will be chosen, but the stated aims are similar.

5.32 The Scottish Executive’s policy has attempted to balance the policy between the desire to assist areas with particular socio-economic needs and the desire to maintain an organisation’s effectiveness and efficiency. This is done using a methodology which uses socio-economic measurements to determine need and this comprises 50% of the methodology. The remaining 50% uses a combination of measurements to determine the effectiveness and efficiency of a location for an organisation.
5.33 The UK policy has not developed such a detailed methodology but the advice on choosing a location also includes areas which are in need of regeneration, suffer from deprivation and have lower property costs. This is balanced with indicators to demonstrate if a particular business area can function well in a location. There is also a desire to join-up relocation activities across departmental boundaries.

5.34 Eire identified what were considered 58 deserving locations, particularly based around the need to spread economic development. Locations should also allow access to Dublin and its airports and have the necessary facilities for staff and their families such as recreation, housing and third-level education. Locations have not necessarily tied in naturally with the functions of relevant departments and some interesting decisions have been made. The Department of the Gaeltacht is to be relocated to Knock Airport, which is not in a Gaeltacht area. The Department of the Marine is to be relocated to Cavan, which is landlocked.

5.35 Wales has also emphasized the balance between assisting an area of relative economic disadvantage and the ability of government to function in a location. Good public transport links, especially rail, are considered essential and it is desirable to include a range of functions in a location to allow for career development. Locations should be sufficiently prominent to be recognised locally as the Assembly Government office and there should be an emphasis on co-location with ASPBs (though clearly identified as an Assembly Government office).

5.36 Japan has taken a vastly different approach. Due to the congestion and overheating market of Tokyo, the government is proposing the creation of a new government city to function as the administrative heart.

74. Staff

5.37 Probably the most difficult issues to deal with in any location policy are around staff. This includes issues around redundancy, incentives, corporate loss, redeployment, career opportunities, recruitment and trade unions.

5.38 The Scottish Executive’s relocation policy varies across the board when it comes to the issue of incentives, redundancies and redeployment. However, this is not unusual as most relocations have been public sector bodies and not civil service posts. For civil service staff, there is an existing relocation package that can be augmented in certain cases when justified by a solid business case. As the numbers of posts relocated have been limited (in relation to the large size of the Executive), normal staff churn has easily allowed redeployment in cases where staff do not wish to move and this has eliminated the need for redundancies. Public Bodies however have developed their own relocation and redundancy packages to suit the business needs of the organisation. The Scottish Executive has been encouraging public bodies to apply to join the civil service gateway in order to maximise the opportunities of redeployment and minimise redundancies, but as the civil service continues to be a reserved matter, the Executive can not directly allow staff from these bodies to be redeployed within the Executive. The relocation process in Scotland involves trade unions throughout the process and staff views on location opportunities are a mandatory part of a location review.
5.39 Eire has taken a very different approach, no doubt due to the larger numbers involved. Relocation in Eire has been labelled as 'voluntary'. A central applications facility has been set up to encourage staff to register their preferred location for a move. Up to 10,500 staff have applied to move out of Dublin or else from other parts of the country. Those staff who wish to remain in Dublin will be redeployed while staff who wish to move to one of the new locations will not receive relocation packages (it is believed that the money staff will save by living outside Dublin is an incentive in itself). Redeployment within Dublin is proving to be difficult and it is likely there will be more staff than posts for a considerable time. There has also been an attempt to phase moves to prevent a loss of corporate memory. Methods for transferring staff have included the use of bilateral transfers between business areas and seniority in grade will be the determining factor where there are several volunteers for a Dublin post. The number volunteering to move in the required grades has not been sufficient for relocated organisations and professional/technical grades have experienced a lower level of transfer volunteer applications than general service grades. This is exacerbated by the fact that there is no facility for professional/technical staff to transfer to a location where their grade is not represented. A trade union report has stated that 85% of technical/professional posts to be relocated have not received application. In some agencies, 95% of staff do not wish to relocate.

74.4

5.40 The Welsh Assembly Government initially held consultation meetings with staff on the location project and involved trade unions throughout the review. Staff were surveyed to determine the level of interest in working at a variety of locations as well as in home working (many indicated they would like to work from home a part of the time). It should be noted here that the Welsh policy has partly been determined by the lack of office accommodation in Cardiff. Staff were invited to register an interest in working in different locations. At the same time, an exercise was conducted to determine reliable figures for the distribution of staff by group/department and location. The moves have been timed to ensure agreement can be reached and allow time to minimise disruption to people’s lives. Staff not willing to move are ensured priority for other posts at the same grade and location and which they would be happy with. If they do wish to move, individual packages are used to allow staff to move between locations (throughout career) ensuring that they do not lose out financially. The mobility clause is only used in a reasonable manner, especially as their policy questions the legality of the mobility clause. The Welsh policy is also attempting to ensure that there is an increase in Senior Civil Service posts outside Cardiff, including at least one in each of the three area offices by 2007 (currently only 1 out of the 87 SCS posts in Wales is outside Cardiff).

74.5

5.41 Staff issues in the UK relocation policy are treated quite minimally as it is a matter for each department to create its own HR policies when it comes to issues such as incentives and redundancies. The policy does seek improved arrangements for cross-service redeployment of staff to avoid redundancies and these arrangements are being implemented (and will affect Scotland, Wales and Northern Ireland as the civil service is a reserved area). The policy also advises departments to relocate posts to large cities with existing government activities, partly due to reducing costs but also to create more employment opportunities in these areas. The policy aims to increase the number of senior posts outside of London.
5.42 The evaluation of the 1993/94 moves to Londonderry showed that only 7% of staff moved with their post but 70% of posts were filled by existing staff in the Northern Ireland Civil Service. Most of those staff already lived in the Derry area and had been commuting to Belfast which meant that little socio-economic benefit was gained in the area. The small size of Northern Ireland certainly plays a part in this. There were difficulties in recruiting senior positions and no indications of improvement in operational efficiency, recruitment or retention.

5.43 The policies across the UK deal with staff issues in a similar way in terms of financial incentives and redundancy deals, with Scotland and Wales placing an emphasis on eliminating redundancies. Staff involvement in the processes is regarded as important in all policies. The lack of such incentives in Eire may play a part in the insufficient numbers of staff willing to relocate. The constraint on redeployment of public servants (as opposed to civil servants) is an issue affecting Wales and Scotland but which each administration can do little to affect.

5.44 Each Government or Administration’s policy will result in different numbers of posts being moved. The Scottish Executive’s relocation policy has no definitive number to be relocated. So far, 2432 posts have been located outwith Edinburgh and decisions so far reached but where posts have not yet been moved cover a further 1001 posts. 1466 posts are currently under review with more added at a regular basis as triggers are reached.

5.45 The UK Lyons Review identified 20,000 posts to be moved from London and the South-east as a first tranche but states that this should be viewed as a beginning. Further relocations are anticipated as lease breaks arise or if more efficiency savings need to be delivered.

5.46 The Welsh Assembly Government intends to increase the number of posts outside Cardiff by 900 to 1700 by year 2007. This will include new posts as the Government takes on new functions and 400 existing Cardiff-based posts to be relocated. There are currently 3500 Welsh Government staff with about 800 outside Cardiff.

5.47 Eire has around 30,000 civil servants at the moment of which 14,000 (47%) are already outside Dublin. Eire’s current policy intends to move a further 10,300 civil service posts outside Dublin. This would indicate that Dublin will have a lower proportion of civil service posts to its population in comparison with Eire as a whole.

5.48 Northern Ireland has estimated that it could relocate 1000 jobs without organisational disruption. There is an aim, though not an overriding aim, to adjust numbers employed in the Northern Ireland Civil Service to the national average in each district council area (3% of the population). It should be noted that 60% of the total Northern Ireland population resides in the Greater Belfast area. In 1993/94, 279 posts in seven civil service branches were dispersed to Londonderry.
5.49 France has relocated 30,000 posts out of Paris over the last decade. There were proposals announced in 2003 to transfer 150,000 posts throughout the country, including posts in core departments.

5.50 Norway is to transfer 900 jobs from Oslo in 8 state regulatory agencies.

5.51 The expected costs of the different relocation policies vary greatly in both the detail in which they have been analysed and in whether they will increase or reduce expenditure over time.

5.52 The Scottish Executive does not expect each relocation to generate savings. However, as a general rule, evidence of previous relocations carried out elsewhere suggests that relocations will produce savings by the end of a 15 year period. Costs are estimated at the outset of a relocation though at this stage it is too early to see whether these will be realised.

5.53 The UK Government is anticipating savings of between £2.3 and £2.7 billion and this is largely due to the extremely high cost of both accommodation and staff in the Greater London area, relative to other parts of the UK.

5.54 The Welsh Assembly Government has produced a sample costing for the relocation of about 100 staff but a cost for the entire program has not been found.

5.55 We do not have information on the anticipated savings from the location aspect of the reform programme. However, the 1993/94 relocations cost between £12.6 and £17.3 million. This was about £100,000 additional cost per job relocated.

5.56 The objective in Eire is that the property acquired at regional level is matched over time in cost terms by the disposal of property currently held in Dublin (though this does not seem to take into account that most staff will be redeployed in Dublin and, therefore, much of the property which it was thought could be sold, will not be able to in even the longer term). However, non-property costs will only be “captured as they arise” (this includes the extra staff who will be taken on the payroll, training new staff and the sourcing and setting up of new ITC systems). It is estimated the total capital cost of relocation is €900 million. A trade union report estimates that the extra costs to be borne for technical/professional staff alone who do not wish to relocate is between €51.1 million and €65.5 million per annum.

5.57 Norway has made a commitment to meet all costs centrally, not by the budgets of individual bodies, in order to safeguard their ability to deliver day to day objectives.

5.58 Evaluation is an important part of the policy cycle yet is often the most overlooked. Audit Scotland has been conducting an evaluation of the Scottish Executive Relocation Policy and its implementation. The results of this have now been released.
5.59 Under the current policy in the UK, there is no evaluation yet but a methodology has been developed and results should appear in a few years time. A preliminary look has indicated that clustering results in greater employment opportunities and attracts more staff while the greater the senior post movement, the greater the economic benefit. It should also be noted that Edinburgh is ranked as a candidate for current dispersals out of London. However, a look at past UK relocation policies gives an interesting insight. In 1963, the Fleming Review recommended 57,000 posts for relocation but only 22,500 actually relocated by 1972. In 1973, the Hardman Review recommended 31,500 posts for relocation but only 10,000 relocated. Whether history has taught lessons to those implementing relocation policy today will be determined by the implementation of the Lyons Review in 2004.

5.60 There does not appear to have yet been a formal evaluation of the Welsh policy. However, an evaluation was carried out on the 1991 Northern Ireland relocation policy. The study was done to estimate the social and economic benefits of dispersing jobs from Belfast to Londonderry and a methodology was developed to measure the relevant benefits and costs of the dispersal, including the economic effects, social effects and public expenditure. The study looked at the costs involved and how the dispersals were undertaken and the effectiveness and equity of dispersals. It also looked at the level of Catholic representation in upper echelon grades and the affect of the policy on this.

5.61 Similarly, there does not appear to be an evaluation programme yet in Eire, although the Government there has used previous studies to demonstrate that improved staff morale and accommodation cost savings can be improved through relocation, particularly if several government services are located within one site. However, studies cited in Eire also show organisational inefficiencies arising from relocation, from increased travel and communication costs and disruptions in service delivery. Early indications from the policy implementation in Eire are that there is a 90% staff turnover rate, staff overlap and the associated cost implications of that. However, it also indicates that there are improved accommodation and facilities, improved work practices and management processes, despite an initial loss of customer service and output.

5.62 These results in searching for evaluation work from other relocation policies indicate that no substantive evaluation exercise has taken place. The only completed evaluation is from Northern Ireland though it is over 10 years old and covers the relocation of only one organisation. However, the model which was used is no less applicable today. A similar evaluation was done of the Scottish Public Pensions Agency but with a more positive result.

5.63 Norway intends to do a comprehensive evaluation of the relocations of its eight state regulatory agencies moved from Oslo to show both costs and benefits. This process will most likely start in 2007 at the earliest. Plans have not yet been determined to see how this evaluation will be done.

77.2

78. Other unique issues

78.1
5.64 There have been a number of unique issues dealt with by the policy in Wales. A stated aim of the policy is to include at least one policy division in each of the new locations and to build closer links with public sector bodies in the area. There will also be an attempt to change working practices. This includes training managers, especially those in senior-level, on how to manage staff in remote locations and allowing increased home working, getting managers to focus more on outputs, not time at a desk. Finally, there will be a review of the time spent at face-to-face meetings in each business area.

79. Conclusion

5.65 The location policies across the UK and Eire provide interesting examples. Issues such as staff, accommodation and cost are treated differently in each jurisdiction, depending on the intended outcome and the resources available. Some good examples show how issues have been treated or have arisen as the programs have been implemented provide much learning material for our own policy. It is notable that no other comparator administration has undertaken detailed evaluation work on the operation or effectiveness of its relocation policy to date.
SECTION 6: SUMMARY & LESSONS

6.1 The first part of this document provides a fuller summary of the key findings of this evaluation. In brief:

- All UK Administrations have some form of relocation policy, although no other administration has undertaken a detailed analysis of the impact of its relocation policy;
- Scottish Executive location review methodology has evolved over time to reflect Scottish Ministers’ stated objectives for the policy;
- Final relocation decisions have reflected the outcome of the methodology at the time, taking account of costs, organisational priorities and the wider benefits to areas receiving posts;
- The actual costs of relocation have been broadly in line with original estimations allowing for fluctuation in costs arising from factors that cannot be accurately estimated in advance (e.g. number of staff requiring relocation package);
- Independent research and our own case study analysis confirm that organisations can gain a number of benefits from relocation, in particular as a catalyst for business change and improvement. Some of these will be felt immediately but others will take longer to achieve;
- Relocation also generates a number of business risks, but, in general, organisations have managed the relocation process to minimise these risks and the impact on their core functions;
- The impact of relocations for areas receiving public sector posts depends on a range of factors relating to the profile of the relocating organisation and the profile of the local area e.g. working age population available for employment; skill levels; the specific economic circumstances; population decline; etc.
- Beyond the immediate impact of additional employment opportunities, the sustained benefits for areas receiving public sector posts can take a number of years to feed through;
- There is continuing strong desire amongst both local authorities and local enterprise companies to attract relocated public sector posts;
- There is no evidence of relocation policy having any significant negative impact on the Edinburgh economy.

Issues for Further Consideration

6.2 The evaluation also identified a number of issues for further consideration:

- There is urgent need for an Evaluation Framework to establish at the outset of each relocation baseline and on-going information required to evaluate the impact for the organisation and on the receiving area;
- There is a particular need to ensure better consistency of baseline, set-up and on-going information on costs for relocating organisations
- Although relocations have been well managed by organisation, good practice advice and support should be available to share lessons from previous relocations;
DRAFT

- The external evaluation suggests the potential to better match relocations to particular areas, for example with reference to the level of required skills, to maximise the potential benefits;
- Similarly, there is potential to better link relocation with other Executive priorities, for example for regeneration.
80.

81.

82. **Sources** not referenced in the text

82.1

82.2

82.3

82.4

82.5

82.6

82.7

82.8
Lloyd, M. Greg and Peel, Deborah (March 2005). Devolution, Decentralisation and Dispersal: Asserting the Spatiality of the Public Sector in Scotland

82.9

82.10

82.11

82.12
Northern Ireland Office. (August 2001) Office Accommodation Review
DRAFT

RELOCATION / LOCATION SET UP COSTS (Financial Costings)
<table>
<thead>
<tr>
<th>Number of Posts at Start-up</th>
<th>35</th>
<th>74.5</th>
<th>N/A</th>
<th>N/A</th>
<th>26</th>
<th>454</th>
<th>1</th>
<th>30</th>
<th>26</th>
<th>97</th>
<th>9</th>
<th>19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Staffing (December '06)</td>
<td>68</td>
<td>75.5</td>
<td>10</td>
<td>8.5</td>
<td>26</td>
<td>558</td>
<td>6</td>
<td>79</td>
<td>22</td>
<td>134</td>
<td>9</td>
<td>29</td>
</tr>
<tr>
<td>Cost per post at start-up</td>
<td>1,600</td>
<td>7,700</td>
<td>-</td>
<td>-</td>
<td>14,200</td>
<td>33,000</td>
<td>160,300</td>
<td>15,500</td>
<td>71,500</td>
<td>11,800</td>
<td>12,800</td>
<td>29,300</td>
</tr>
<tr>
<td>Cost per post (current staff)</td>
<td>800</td>
<td>7,600</td>
<td>5,100</td>
<td>20,000</td>
<td>14,200</td>
<td>26,900</td>
<td>26,700</td>
<td>5,900</td>
<td>16,500</td>
<td>11,200</td>
<td>12,800</td>
<td>12,700</td>
</tr>
<tr>
<td>Fitting-out etc.</td>
<td>57,000</td>
<td>317,537</td>
<td>51,000</td>
<td>51,197</td>
<td>239,464</td>
<td>3,300,000</td>
<td>364,323</td>
<td>390,000</td>
<td>258,000</td>
<td>605,336</td>
<td>375,000</td>
<td></td>
</tr>
<tr>
<td>Furniture and Equipment</td>
<td>136,846</td>
<td>Incl. in fit-out costs</td>
<td>17,182</td>
<td>2</td>
<td>8,000</td>
<td>18,212</td>
<td>50,870</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training/parallel running</td>
<td>23,000</td>
<td></td>
<td>95,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consultancy</td>
<td>33,252</td>
<td>27</td>
<td>17,182</td>
<td>2</td>
<td>8,000</td>
<td>18,212</td>
<td>50,870</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Removal</td>
<td>5,010</td>
<td>19,400</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recruitment</td>
<td>1,000</td>
<td>25,000</td>
<td>3,000,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relocation/Ad-hoc costs</td>
<td>11,000</td>
<td></td>
<td>32,000</td>
<td>87,767</td>
<td>6,222</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT Capital and Telecoms</td>
<td>85,717</td>
<td>89,851</td>
<td>95,000</td>
<td>8,700,000</td>
<td>44,915</td>
<td>75,000</td>
<td>36,000</td>
<td>52,835</td>
<td>5,535</td>
<td>17,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td>14,500</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Funding Provided</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>150,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: The table contains financial data and staffing information for different categories. The figures represent costs or numbers for various initiatives or projects.
Notes:
1. The set up costs presented are based on the best available data, hence, they should be treated as *indicative rather than definitive*.
2. Due to the incomplete nature of the data (i.e. missing costs for some categories), it should be noted that the data is not *directly comparable*, hence, caution should be exercised when undertaking any comparability analysis.
3. The planned number of posts for the Agency is 44.
4. The Care Commission’s costs are for all offices and include setup costs for the Social Services Council.
5. Dual running costs.
## ANNEX B

### SCOTTISH EXECUTIVE RELOCATION POLICY FOR PUBLIC SECTOR POSTS

#### LOCATION AND RELOCATION: COMPLETED MOVES

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Number of Posts</th>
<th>Decision</th>
<th>Number of posts</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>HQ Plus 6 regional offices</td>
<td></td>
<td></td>
<td>488 (2002)</td>
<td></td>
</tr>
<tr>
<td>Phase 2</td>
<td>260</td>
<td></td>
<td>60 (2003)</td>
<td>Glasgow</td>
</tr>
<tr>
<td>No.</td>
<td>Organisation</td>
<td>Decided</td>
<td>Location</td>
<td></td>
</tr>
<tr>
<td>-----</td>
<td>--------------------------------------------------</td>
<td>---------</td>
<td>---------------------------</td>
<td></td>
</tr>
<tr>
<td>15.</td>
<td>Mental Health Tribunal Service</td>
<td>20</td>
<td>Dundee</td>
<td></td>
</tr>
<tr>
<td>16.</td>
<td>Scottish Building Standards Agency</td>
<td>44</td>
<td>Hamilton</td>
<td></td>
</tr>
<tr>
<td>17.</td>
<td>Architecture and Design Scotland (royal Fine Arts Commission for Scotland)</td>
<td>10</td>
<td>Edinburgh</td>
<td></td>
</tr>
<tr>
<td>18.</td>
<td>Her Majesty's Inspectorate of Education</td>
<td>84</td>
<td>Livingston, Clydebank and Ayrshire</td>
<td></td>
</tr>
<tr>
<td>19.</td>
<td>Risk Management Authority</td>
<td>20</td>
<td>Paisley</td>
<td></td>
</tr>
<tr>
<td>20.</td>
<td>COPFS Transcription Units (Small Units Initiative)</td>
<td>14</td>
<td>Dingwall, Tain, Campbeltown</td>
<td></td>
</tr>
<tr>
<td>21.</td>
<td>Central Enquiry Unit (Small Units Initiative)</td>
<td>9</td>
<td>Kinlochleven</td>
<td></td>
</tr>
<tr>
<td>22.</td>
<td>Crofting House Grants Scheme (Small Units Initiative)</td>
<td>8</td>
<td>Tiree</td>
<td></td>
</tr>
<tr>
<td>23.</td>
<td>NHS Central Registrar (Small Units Initiative)</td>
<td>17</td>
<td>Dumfries</td>
<td></td>
</tr>
<tr>
<td>24.</td>
<td>Accountant in Bankruptcy</td>
<td>140</td>
<td>Kilwinning</td>
<td></td>
</tr>
<tr>
<td>25.</td>
<td>Convenor of the Water Customer Consultation Panels (Waterwatch Scotland) (Small Units Initiative)</td>
<td>9</td>
<td>Alloa</td>
<td></td>
</tr>
<tr>
<td>26.</td>
<td>Transport Scotland</td>
<td>287 (130 posts relocated from Edinburgh)</td>
<td>Glasgow</td>
<td></td>
</tr>
</tbody>
</table>

**SUBTOTAL**

<table>
<thead>
<tr>
<th>Reviewed</th>
<th>To be relocated</th>
<th>Located outwith</th>
<th>Located within Edinburgh</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,854</td>
<td>260</td>
<td>2,432</td>
<td>162</td>
</tr>
</tbody>
</table>
### LOCATION AND RELOCATION: DECISIONS TO BE IMPLEMENTED

<table>
<thead>
<tr>
<th>No.</th>
<th>Agency</th>
<th>Number of People Relocating</th>
<th>Location(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>27</td>
<td>NHS Quality Improvement Scotland*</td>
<td>206 (99 relocating from Edinburgh)</td>
<td>Decided 2005 - Glasgow</td>
</tr>
<tr>
<td>28</td>
<td>NHS Health Scotland*</td>
<td>165 (134 relocating from Edinburgh)</td>
<td>Decided 2005 - Glasgow</td>
</tr>
<tr>
<td>29</td>
<td>NHS Education for Scotland*</td>
<td>351 (187 relocating from Edinburgh), 26</td>
<td>Decided 2005 - Glasgow, Edinburgh, Aberdeen and Dundee</td>
</tr>
<tr>
<td>30</td>
<td>Communities Scotland</td>
<td>110</td>
<td>Decided 2005 - Glasgow</td>
</tr>
<tr>
<td>31</td>
<td>Sportscotland</td>
<td>133</td>
<td>Decided 2006 - Glasgow</td>
</tr>
<tr>
<td>32</td>
<td>Caledonian Maritime Assets Limited (VesCo)</td>
<td>10</td>
<td>Decided 2006 - Port Glasgow</td>
</tr>
<tr>
<td></td>
<td><strong>SUBTOTAL</strong></td>
<td><strong>1001</strong></td>
<td><strong>1001 Decided</strong></td>
</tr>
</tbody>
</table>

*Further consideration is being given to the cost estimates associated with these proposed relocations.*
Mr Des McNulty MSP  
Convener  
The Scottish Parliament  
EDINBURGH  
EH99 1 SP  

7 September 2006  

During my evidence to the Finance Committee on 20 June about relocation policy a number of detailed questions were raised for which I undertook to provide further responses.

**Project Evaluation Indicators**

Committee Members asked about the proposal to use the Scottish Index of Multiple Deprivation statistics in post-relocation evaluation analysis. Members suggested the use of a number of other possible economic prosperity indicators and public sector employment statistics.

I explained that the table of indicators presented to the Committee were some of the socio-economic factors being considered for the post-relocation evaluation framework. Socio-economic indicators form part of a package of indicators considered at present in location reviews. No relocation decisions have or will be taken based on these indicators alone. Indicators of efficiency and effectiveness are also taken into account in deciding location along with unique factors which are relevant. I also said we would take account of the Committee's suggestions as the overall evaluation strategy is being developed. We are doing that, and we will take particular account of the forthcoming Audit Scotland report in finalising our evaluation proposals.

There is no existing agreed UK or international framework for evaluating the impact of relocation or decentralisation policies. I agree with Committee Members that it is essential that our evaluation framework links clearly to the specific strategic objectives of relocation policy in Scotland and that the methodology and indicators must be robust, before the framework is finalised. Scottish Executive officials are progressing detailed development of the framework on that basis.
Costs and Budgets

Committee Members asked for information on the impact that the costs of the SNH relocation will have on the Environment and Rural Development portfolio budget. To date the costs of relocation for SNH are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>£469,000</td>
</tr>
<tr>
<td>2004-05</td>
<td>£1,730,000</td>
</tr>
<tr>
<td>2005-06</td>
<td>£6,269,000</td>
</tr>
<tr>
<td>2006-07</td>
<td>£18,797,000</td>
</tr>
</tbody>
</table>

The figures for 2006-07 include the cost to date of the HQ building, ie £14.95m plus a retention of £50,000 plus VAT. The figures also exclude the proceeds anticipated from the sale of properties in Edinburgh and Inverness. The costs have so far been contained within the portfolio budget, through End Year Flexibility allocations and in-year savings. This has meant that there has been no call to date on any central funding for the SNH project. However, in recognition of the unique scale of this project, we remain committed to supporting additional costs where necessary. We will continue to keep the Committee informed on the costs and the budgetary implications as the project progresses.

The costs and benefits of all moves are now expressed in net present value terms over 15 years (unless a longer timescale is considered appropriate for a particular project) and that will be the basis on which location and relocation decisions are reported to the Parliament. This will also form part of the basis for post-move evaluation. I realise the Committee will be interested in the post-move evaluation of the SNH move, along with other relocations.

Transferability

The Committee asked for information on the number of Scottish NDPBs which applied to be considered for staff transferability between NDPBs and the Civil Service, as well as which ones had been successful. The table at Annex A shows which bodies applied and which have so far been accepted into the this scheme. Some others may yet be successful, subject to provision of further information. Cabinet Office officials have indicated that they are willing to consider subsequent requests from any other NDPBs.

The Committee asked about the implications that transferability would have on staff continuity of service. I understand that Cabinet Office expects transfers to be made with full transferability rights. Cabinet Office has recommended in a letter to Departments, that staff transferring from NDPBs into the Civil Service under this scheme should be treated as having continuous employment. Cabinet Office recommends that this should be done with the agreement of all parties and be confirmed in writing.
Relocation of UK Posts to Scotland

The Committee asked for confirmation of the proposed number of UK jobs being relocated following the Lyons Review and a report on progress, to include regional and national breakdown. This information is largely available on the Office of Government Commerce website, but for ease of reference I have included summary tables showing the Departmental breakdown of jobs being relocated and showing the regional locations of decisions made to date - as Annex B. The tables show that 20,028 posts have been identified for relocation and around 7,800 posts had been relocated by March 2006 - with 400 coming to Scotland. In addition, there are a number of projects being pursued at the moment for potential moves to Scotland, and last month the Criminal Injuries Compensation Authority announced that the posts in its London office - currently around 150 staff - will transfer to its existing Glasgow office. The exact number of posts that will move, following restructuring is still to be confirmed. We are working closely with local authorities and enterprise companies to ensure that Scottish locations are given as good an opportunity as possible to attract UK relocations.

I hope the answers I have provided here to specific issues raised by Committee Members are helpful, and I would be happy to discuss any of these further.

GEORGE LYON
## TRANSFERABILITY: SCOTTISH NDPB APPLICATIONS

<table>
<thead>
<tr>
<th>Scottish NDPB Applying for Transferability</th>
<th>Date of Acceptance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Architecture and Design Scotland</td>
<td></td>
</tr>
<tr>
<td>Bord na Gaidhlig</td>
<td></td>
</tr>
<tr>
<td>Cairngorms National Park Authority</td>
<td>3 April 2006</td>
</tr>
<tr>
<td>Caledonian MacBrayne Limited</td>
<td></td>
</tr>
<tr>
<td>General Teaching Council for Scotland</td>
<td>3 April 2006</td>
</tr>
<tr>
<td>Highlands and Islands Enterprise</td>
<td>3 April 2006</td>
</tr>
<tr>
<td>Learning and Teaching Scotland</td>
<td>3 April 2006</td>
</tr>
<tr>
<td>Loch Lomond and the Trossachs National Park Authority</td>
<td>3 April 2006</td>
</tr>
<tr>
<td>National Galleries of Scotland</td>
<td></td>
</tr>
<tr>
<td>National Museums of Scotland</td>
<td></td>
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<tr>
<td>NHS Education for Scotland</td>
<td></td>
</tr>
<tr>
<td>NHS National Services Scotland</td>
<td>3 April 2006</td>
</tr>
<tr>
<td>NHS Quality Improvement Scotland</td>
<td>3 April 2006</td>
</tr>
<tr>
<td>Risk Management Authority</td>
<td></td>
</tr>
<tr>
<td>Royal Botanical Garden Edinburgh</td>
<td>3 April 2006</td>
</tr>
<tr>
<td>Royal Commission on the Ancient and Historical Monuments of Scotland</td>
<td></td>
</tr>
<tr>
<td>Scottish Arts Council</td>
<td>3 April 2006</td>
</tr>
<tr>
<td>Scottish Commission for the Regulation of Care</td>
<td>3 April 2006</td>
</tr>
<tr>
<td>Scottish Criminal Cases review Commission</td>
<td></td>
</tr>
<tr>
<td>Scottish further and Higher Education Funding Councils</td>
<td>3 April 2006</td>
</tr>
<tr>
<td>Scottish National Heritage</td>
<td>3 April 2006</td>
</tr>
<tr>
<td>Scottish Screen</td>
<td></td>
</tr>
<tr>
<td>Scottish Social Services Council (SSSC)</td>
<td>3 April 2006</td>
</tr>
<tr>
<td>Scottish University of Industry</td>
<td>3 April 2006</td>
</tr>
<tr>
<td>SEPA</td>
<td></td>
</tr>
<tr>
<td>Sportscotland</td>
<td></td>
</tr>
<tr>
<td>Standards Commission for Scotland</td>
<td></td>
</tr>
<tr>
<td>VisitScotland</td>
<td>3 April 2006</td>
</tr>
<tr>
<td>Relocation Policy Team</td>
<td></td>
</tr>
<tr>
<td>August 2006</td>
<td></td>
</tr>
</tbody>
</table>
## RELOCATION OF UK POSTS TO SCOTLAND

### Table 1. Departmental Relocation Proposals
The table below summarises by department the number of posts relocating from London and the South East by 2010 as confirmed in the 2004 Spending Review which set out plans for Government spending for the three years from 2005 to 2008.

<table>
<thead>
<tr>
<th>Department or public body</th>
<th>Number of posts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cabinet Office</td>
<td>250</td>
</tr>
<tr>
<td>Chancellor's Departments</td>
<td>5,050</td>
</tr>
<tr>
<td>Department for Constitutional Affairs</td>
<td>200</td>
</tr>
<tr>
<td>Department for Culture, Media and Sport</td>
<td>600</td>
</tr>
<tr>
<td>Ministry of Defence</td>
<td>3,900</td>
</tr>
<tr>
<td>Northern Ireland Office</td>
<td>8</td>
</tr>
<tr>
<td>Office of the Deputy Prime Minister</td>
<td>240</td>
</tr>
<tr>
<td>Department for Environment, Food and Rural Affairs</td>
<td>390</td>
</tr>
<tr>
<td>Department for Education and Skills</td>
<td>800</td>
</tr>
<tr>
<td>Foreign and Commonwealth Office</td>
<td>450</td>
</tr>
<tr>
<td>Department of Health</td>
<td>1,110</td>
</tr>
<tr>
<td>Home Office</td>
<td>2,200</td>
</tr>
<tr>
<td>Department for International Development</td>
<td>85</td>
</tr>
<tr>
<td>Department of Trade and Industry</td>
<td>685</td>
</tr>
<tr>
<td>Department for Transport</td>
<td>60</td>
</tr>
<tr>
<td>Department for Work and Pensions</td>
<td>4,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20,028</strong></td>
</tr>
</tbody>
</table>

*All figures in this table reproduced from Office of Government Commerce*
### Table 2. Posts Relocated by March 2006

#### Regions receiving relocated posts

<table>
<thead>
<tr>
<th>Regions receiving relocated posts</th>
<th>Number of posts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yorkshire &amp; The Humber</td>
<td>1,874</td>
</tr>
<tr>
<td>North West</td>
<td>1,623</td>
</tr>
<tr>
<td>Wales</td>
<td>1,549</td>
</tr>
<tr>
<td>North East</td>
<td>570</td>
</tr>
<tr>
<td>South West</td>
<td>442</td>
</tr>
<tr>
<td>Scotland</td>
<td>400</td>
</tr>
<tr>
<td>East Midlands</td>
<td>281</td>
</tr>
<tr>
<td>West Midlands</td>
<td>197</td>
</tr>
<tr>
<td>South East</td>
<td>87</td>
</tr>
<tr>
<td>East of England</td>
<td>46</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>21</td>
</tr>
<tr>
<td>To be determined</td>
<td>710</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,800</strong></td>
</tr>
</tbody>
</table>

*All figures in this table reproduced from Office of Government Commerce*

Relocation Policy Team  
August 2006
Finance Committee
32nd meeting, Tuesday 12 December 2006

The Development of the Budget Process: Report by the Budget Adviser

Background

1. This report summarises the development and reform of the budget process since 1999, and highlights key issues for the new Finance Committee’s consideration after the 2007 election. It draws on my experience as Adviser to the Committee since 2002, and contains reflections on the progress made with developing a more inclusive and transparent budgetary process. Developing the quantity and quality of budget information through discussions with Executive officials has been a key part of my work, as well as providing advice on the realism of the financial assumptions made by the Executive in its budget documents, with a view to strengthen the Parliament’s contribution to budget scrutiny.

2. The basis of the current budget process emerged from the report of the Financial Issues Advisory Group (FIAG), which was tasked to look at ways to promote constructive discussion of budgetary and expenditure priorities between the Executive and Parliament, and to provide a more transparent process than the system inherited from Westminster.

3. FIAG proposed that subject committees should make recommendations on spending decisions for their areas, with the Finance Committee responsible for addressing overall priorities and the presentation of budgets for consideration by the whole Parliament. The three stage process recommended by FIAG was introduced with Stage 1 focussing on budget strategy in the Annual Expenditure Report; Stage 2 concentrating on detailed spending proposals in the Draft Budget; and Stage 3 approving the expenditure plans for the next financial year set out in the Budget Bill.

4. This process was reviewed by the Finance Committee in 2002, which acknowledged that the process was not working fully as intended by FIAG. In practice, there was little consideration of strategy, and considerable overlap between the budget documentation for Stages 1 and 2. Further, the introduction of biennial Spending Reviews by the Treasury had made Spending Review years central to the resource allocation process, with the interim year concerned mainly with minor adjustments to the spending plans. This resulted in a revised Agreement between the Executive and the Finance Committee that the Spending Review would become the pivotal year in the process, with a lighter examination of the annual budget in the interim year concentrating mainly on the changes to plans.

5. As a result, the Annual Expenditure Report became the Annual Evaluation Report, providing “an assessment of past performance and a discussion of strategic priorities”. This rationalisation has assisted Committees to make spending recommendations to the Spending Review process.
Financial Management

6. The Executive inherited a system of financial management in which a very detailed set of objectives and targets were published in the Scottish Office’s annual expenditure planning report. These referred mainly to activities and processes, and outputs such as projects supported, grants made, usage numbers etc. In the 2002-3 Draft Budget, there were around 400 such targets in the document.

7. Following Spending Review 2002, the Executive announced a new financial and performance regime, more akin to Public Service Agreements in Whitehall, which gave much greater prominence to objectives and targets in the introduction to each portfolio chapter. This approach greatly reduced the number of targets, but many were still process based.

8. The revised approach was intended to enhance financial and performance reporting and ensure spending made maximum impact on priorities. In practice, targeting strategic priorities and performance reporting are two outstanding problems in the process, and will be discussed later. The Finance Committee recommended the further reduction of targets, eliminating the process based measures (around 64) and this was agreed in Spending Review 2004. There is now a better mix of portfolio targets, most of which are output/outcome measures, although outcome measures remain problematic in performance reporting, as a range of external factors can influence outcomes such as educational attainment, health status or crime levels. There is now a more robust system of objectives and targets than pertained in 1999.

9. The incorporation of efficiency targets into the budget process in Spending Review 2004, blurred lines of accountability, as in some cases efficiency savings were deducted from baselines and redistributed to other programmes along with growth monies in the Scottish Departmental Expenditure Limits (DEL). In other cases, funding released was left in portfolios for Ministers to reallocate to priorities. **The new Committee may want to ensure that a precise summary of how efficiency savings have been reallocated is set out in Spending Review 2007, so that a clear audit trail can be identified.**

10. Further adjustments are made to budget plans during the financial year to accommodate resources available through End Year Flexibility (EYF), and through budget revisions to deal with supplementary allocations and transfers from Whitehall.

Monitoring Strategic Priorities

11. One of the Committee’s key functions in the budget process is its scrutiny of the Executive’s strategic priorities – i.e. its overarching objectives in budget allocations which cut across portfolios. It is not the Committee’s job to suggest alternative priorities but to scrutinise and monitor the
effectiveness with which the Executive targets priorities in the budget process.

12. In practice, budget choices are made at the margins of existing baselines. The major cost element in public services is on staffing, and labour-intensive budgets can only be changed slowly because of employment contracts. The same is true of capital investment and PPP controls. Moreover some programmes are entitlements, whilst others are ring fenced by the Treasury, with little scope for adjustment.

13. The budget process, therefore, is one of change at the margins, and the objective is to ensure that the pattern of change is consistent with Executive priorities. One of the problems for the Committee is that whilst the Executive makes extensive use of the language of priorities, it has not defined what a priority means in terms of resource allocation. Does it mean having first call on resources, or does it mean getting additional funding above the norm from the new monies, or what? This has made it difficult to assess the extent to which priorities are reflected in budget decisions.

14. Setting clear priorities is necessary if the most effective use of resources is to be made. In the main, however, the debate has been over allocations as a whole rather than the changes at the margins. It is important to focus on these budgetary decisions to ensure that they are consistent with the strategic priorities.

15. The Executive’s approach has been to set out four or five key priorities in broad terms, as set out below:

<table>
<thead>
<tr>
<th>SR 2000</th>
<th>Promoting social justice</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Improving infrastructure</td>
</tr>
<tr>
<td></td>
<td>Creating a competitive economy</td>
</tr>
<tr>
<td></td>
<td>Modernising public services</td>
</tr>
<tr>
<td>SR 2002</td>
<td>Improving health</td>
</tr>
<tr>
<td></td>
<td>Improving education</td>
</tr>
<tr>
<td></td>
<td>Reducing crime</td>
</tr>
<tr>
<td></td>
<td>Strengthening transport</td>
</tr>
<tr>
<td></td>
<td>Strengthening the economy</td>
</tr>
</tbody>
</table>

With two cross-cutting themes – Closing the Opportunity Gap and Sustainable Development

<table>
<thead>
<tr>
<th>SR 2004</th>
<th>Growing the economy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Delivering excellent public services</td>
</tr>
<tr>
<td></td>
<td>Supporting stronger, safer communities</td>
</tr>
<tr>
<td></td>
<td>Developing a confident, democratic Scotland</td>
</tr>
</tbody>
</table>

With the two cross-cutting themes mentioned above.
16. In its submission to the Budget Review Group, the Committee identified £1390m expenditure in the budget which it classified as primary spending on Economic Growth; £1300m of primary spending on Closing the Opportunity Gap; and £596m of expenditure on Sustainable Development in 2006-7. The Executive’s view, however, is that other major programmes are supportive of such cross-cutting themes.

17. For Draft Budget 2007-8, the Committee has asked the Executive not to simply repeat the portfolio narratives on how their programmes contribute to the strategic priorities, but to highlight how their additional spending will do so. This would help members to focus on the impact of the relevant budgetary decisions. Subject committees consistently raise concerns that cross-cutting expenditure is not explicit enough in the Budget, which again makes it difficult to tell whether priorities are being adequately targeted by the Executive. This also makes it difficult to monitor performance against strategic priorities.

18. **This is a key issue for scrutiny purposes. The new Committee may wish to engage further on this issue with the new Executive after the 2007 election.**

**Monitoring Performance**

19. In 2005, the Finance Committee carried out a review of the use of performance targets in the Scottish Budget. Whilst acknowledging that the practice of setting performance targets can be further improved the Committee took the view that the principle of setting targets is correct, and that performance targets can provide a sound basis for parliamentary accountability when they are objective and plausible measures of outputs / outcomes.

20. The Executive’s approach is to set objectives and targets for each portfolio in Spending Reviews for the forthcoming SR period. Whilst the Budget follows a classic textbook format of allocations, objectives and targets, practice is inconsistent, with some portfolios setting out objectives and targets systematically for each Level 2 programme, whilst others set central targets for the portfolio as a whole.

21. The Committee’s review also found problems of practice similar to experience elsewhere. The problem of information overload has been acknowledged and addressed. The budget is not the place for detailed discussion of micromanagement issues which was a weakness in the system inherited from the Scottish Office. Linking resources to results (i.e. budget to outcomes) remains problematic because of the range of internal and external factors which influence outcomes. However, the practice of highlighting how new spending will contribute to departmental and crosscutting objectives assists the scrutiny process. Setting targets for local government as a whole is a problem because the block grant system leaves allocation decisions to councils themselves.
22. The Committee recognised these difficulties but concluded that departmental performance against targets is only part of the scrutiny process, and can lead to further questioning over outcomes regarding the adequacy of funding or the arrangements for delivery. It also acknowledges that departments have internal performance management systems related to wider process of resource management in operational terms.

23. The Committee’s main locus in the process of accountability is with the Budget as a document intended for parliamentary control of expenditure, which sets out allocations to programmes and expected outputs from these which can be monitored, and accounted for to parliament through financial and performance reporting.

24. In practice, these are separate but related activities. In terms of performance, there are two fundamental problems to be addressed. Firstly, the Executive has strategic priorities for the budget, but no strategic targets. There is therefore no mechanism for assessing whether budget strategy has been successful in corporate terms. Cross-cutting themes such as Sustainable Development or Closing the Opportunity Gap utilise baskets of indicators outwith the budget process, but if the model of financial management adopted by the Executive is to remain, it must address the need for strategic targets.

25. The exchange between the Committee and the Executive over the lack of a target for its “top priority” of Economic Growth is at the heart of this issue. The Executive is of the view that it is impossible to link changes to budgets to changes in economic output, because of the range of intervening variables which can influence the result.

26. This is a perfectly defensible and realistic position to adopt – but impossible to square with the rhetoric of budgeting for outcomes or the need for joined-up government if the Executive’s top priority in the budget process cannot be subject to performance monitoring and reporting.

27. This problem is a further reflection of the choice of a strategic objective which the Executive has only minimal influence upon, and for which it has no statutory responsibility under the devolution settlement. It is responsible for the economic development function, but that is a microeconomic issue, whilst economic growth is a macroeconomic target. It is difficult to see how the Executive can be held to account for delivering on its budget strategy if it cannot quantify how much it spends on its top priority, or what that spending has achieved.

28. The problem of strategic targets can only be resolved by the Executive adopting strategic priorities which it can reasonably expect to influence through public spending. Economic growth is not in this category. Even if Scotland does succeed in raising its sustainable rate of growth, it will not be able to attribute this to Executive management of public expenditure as a whole. This is not a basis for proper accountability for performance,
which requires the setting of realistic strategic priorities within the scope of its devolved function by the new Executive

29. The second fundamental problem is the timescale for performance reporting. At the moment, there is a four year gap between target-setting in Spending Reviews, and interim performance reporting to Parliament. Whilst this gap is inevitable in a long-term planning approach to budget-making, it means that by the time performance is reported, it will be to another Parliament, by another set of Ministers.

30. This does not sit easily with the commitment to continuous improvement under the Best Value regime introduced by the Executive. The Committee’s consideration of the Best Value regime within the Executive showed that it has adopted a less rigorous approach than that expected of local authorities. At this time, the Committee has not received any explicit information from the Executive as to how this works in practice, but departments are expected to have completed their programmes of Best Value reviews; mainstreamed Best Value activity in their departmental business plans; and made continuous review of activity a core part of business.

31. This flexible framework does not lend itself easily to parliamentary scrutiny. Indeed it is focussed largely on internal activities such as advising minister or oversight arrangements for delivery bodies. There is a strong case, therefore, for Parliament to engage in independent assessment of Executive performance on an annual basis, probably through the audit process, to report on continuous improvement in the management of the public finances.

32. At the moment, there is a gap in the system. Delivery bodies are subject to Best Value Audit, and utilise a range of indicators of service standards to monitor and report on continuous improvement in service delivery, whilst the Executive’s Best Value regime focuses on its own activities and functions in supporting Ministers. There is no national assessment of continuous improvement in service delivery, simply the Executive’s performance reporting every fourth year against Spending Review targets.

33. The introduction of an independent performance regime, focussed on a few high level indicators of service standards for each portfolio, and reporting annually, would enhance the scrutiny process, in terms of both data reliability and service performance. These could include capacity indicators such as staffing levels relative to population, for health, education, social work, libraries, policing etc; activity levels, and unit cost data. A full list of PIs would become the Executive’s equivalent of the Statutory Performance Indicators used in local government, which can already provide the basis of national measures.

34. It would be important to concentrate on only a few core indicators for each major programme, but possible examples from the local government SPIs and NHS performance assessment framework are listed in the Appendix.
35. Strategic PIs for cross-cutting themes such as equal opportunities and sustainable development could also be developed. An annual performance report from Audit Scotland covering the national programmes for which the Executive has oversight would be a step forward in parliamentary scrutiny.

Appendix One

Potential Performance Indicators for National Programmes

**Social Work**
- percentage of social work staff who are qualified;
- hours of home care per 1000 population aged 65 plus
- percentage of child care placements in community

**Health**
- access to acute care
- access to GPs and Dentists
- qualified workforce ratios in NHS per 1000 population
- NHS waiting times

**Education**
- pupil-teacher ratios
- school occupancy rates
- school exclusion rates

**Libraries**
- stock turnover (using normal standard target)
- usage rates (% population)
- use of learning access points

**Housing**
- rent arrears
- rent loss due to voids
- number or new/improved links of social housing

Professor Arthur Midwinter